



Daily Report

China

FBIS-CHI-87-208

Wednesday

28 October 1987

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FBIS-CHI-87-208

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General

JIEFANGJUN BAO on U.S.-USSR Arms Talks
HK280134 Beijing JIEFANGJUN BAO in Chinese
2 Oct 87 p 4

[Roundup by Chen Xueyan (7115 1331 3601): "Prospects for Soviet-U.S. Arms Reduction"]

[Text] The Foreign Minister of the USSR and the Secretary of State of the United States reached an agreement in principle on the question of destroying medium-range and medium short-range missiles in Washington in September. The people of the world welcome this Soviet-U.S. move in their hopes for peace and security. They hope that the summit between Gorbachev and Reagan to be held this year will be successful. But after all the comforting, people soberly see the path of the Soviet-U.S. arms reduction is still full of thorns.

With regard to the agreement on the medium range missiles, even though both parties have unified the approach in principle, it is still not known whether they have achieved an identical view of the details of the differences. For example, the arranged time for destroying the medium-range missiles. The Soviet Union proposed to destroy all nuclear warheads and all guidance systems within 1 year after signing the agreement, to destroy the medium-short-range missiles within 2 years and to destroy the medium-range missiles within 5 years. But the United States thinks there is no need to wait 5 years. The United States proposed to destroy the medium-short-range missiles within 1 year and to destroy the medium-range missiles within 3 years. Another problem is: The Soviet Union has more medium-range missiles and medium-short-range missiles than the United States, so is the Soviet Union first to reduce to the level of the United States and then is the United States to start to destroy, or will both sides destroy proportionally? Moreover, the United States hopes to destroy the warheads and the launching systems simultaneously but the Soviet Union proposed to destroy all warheads first and thereafter destroy the launching systems. With regard to the problem of verifying and checking to prevent violations of the agreement, the two sides have not reached an identical standpoint. It appears there still will be a lot of bargaining before the Soviet Union and the United States formally sign a medium-range missiles agreement.

Even if the Soviet Union and the United States destroy all their medium-range missiles and medium-short-range missiles, the large quantities of other nuclear weapons they possess still constitute a massive threat to world peace. World public opinion urgently demands that the Soviet Union and the United States conduct conscientious negotiations for reducing each side's strategic nuclear weapons by 50 percent. But there are still many hindrances in this regard. During the Soviet-U.S. summit in Iceland last year, both sides had agreed to reduce the land-based and the submarine-launched strategic missiles and the strategic bombers by 50 percent, to

reduce the transporting equipment of the strategic nuclear weapons to 1,600 pieces (including the 350 bombers) and to reduce the warheads to 6,000 warheads. During negotiations in May this year, the United States again proposed separate limited amounts of arms reduction: 4,800 warheads of guided missiles, including 3,300 warheads of intercontinental guided missiles and demanded the destruction of all these weapons be completed within 7 years after the agreement becomes valid, adopting effective verifying and checking measures including querying. The Soviet Union regards the separate limited amounts proposed by the United States as a demand, where the Soviet Union greatly reduces its superiority in intercontinental missiles with little reduction in submarine-launched missiles, in which the United States is superior. Also, there is also no stipulated limit on ocean-based cruiser missiles, which the United States has in large numbers. Therefore, the Soviet Union regards the U.S. proposal as a threat to the security and interests of the Soviet Union and it has adopted a negative attitude.

Regarding whether both the Soviet Union and the United States can or cannot achieve an agreement for reducing 50 percent of the strategic nuclear weapons, there is still an enduring hindrance, namely the U.S. "Strategic Defense Initiative" plan.

The Soviet Union still insists that the reduction in strategic weapons must be linked with the ban of space weapons. The United States however expresses that it definitely will not abandon the "Strategic Defense Initiative" plan. So 3 days after the Soviet Union and the United States reached an agreement in principle on the medium-range missiles, American President Reagan in a television address reaffirmed that the United States "will not sacrifice the Strategic Defense Initiative plan" just to reach an agreement with the Soviet Union on the question of strategic missiles. The Soviet Union has now somewhat relaxed its stand, although it persists in linking strategic weapons with the space weapons. Soviet Foreign Minister Shevardnadze had said in Washington on 18 September that a 50 per cent reduction of the assault strategic weapons by the Soviet Union and the United States in the near future is "entirely possible." He said that it is apparently impossible to persuade the United States to abandon the "Star Wars" plan. Therefore the Soviet Union insists on the minimum demand, namely to achieve at least 10 years of strict adherence to the clauses of the anti-ballistic missiles agreement. For this purpose, the Soviet foreign minister representing the Soviet Government invited American Defense Secretary Weinberger to go and meet the Soviet Defense Minister to discuss the concrete proposals for adhering strictly to the anti-ballistic missiles agreement. International observers are of the opinion that the Soviet demand that the United States adhere strictly to the anti-ballistic missiles agreement signed by both countries in 1972 is aimed at pinning down the U.S. "Strategic Defense Initiative" plan. At present, the Soviet Union and the United States both stick to their own stands on the

crucial question of the scope of the tests of the Strategic Defense Initiative plan. The United States insists that it has the right to conduct tests in space but the Soviet Union insists that all tests can only be conducted in the laboratory. It appears that if the Soviet Union and the United States reach an agreement on reducing strategic weapons, both sides will also need to make concessions on the scope of the Star Wars tests and the adherence to the 1972 anti-ballistic missiles agreement in addition to making certain compromises on strategic nuclear weapons.

The "nuclear threat" theory is still very strong in Western Europe. They are of the opinion that the regular forces of the Soviet Union and the Warsaw Pact are far superior to those of NATO. "It does not make any difference what kind of agreement (the Soviet Union and the United States) reach, nuclear weapons will still be an indispensable part of the whole defense strategy of Western Europe for quite a long time." According to the estimate of the West Europeans, the proportion of the regular forces of the Warsaw Pact to NATO is 3 to 1. Therefore, NATO military leaders warned people not to dream that the U.S.-Soviet nuclear weapons agreement will bring the 'non-nuclear heaven.' The superiority of the Soviet Union's regular forces is still a threat for NATO. Recently many politicians in Western Europe and the United States demanded very strongly that the U.S.-Soviet talks for reducing nuclear weapons must be linked with the reduction of the regular forces. It is clear that if there is no breakthrough in the U.S.-Soviet talks on regular forces then the nuclear talks between both sides will definitely also be very much affected.

Of course, although the prospects for a Soviet-U.S. arms reduction is beset with grave difficulties, it also will achieve some progress because of the pressure of the world's people and the needs of the domestic policy and foreign policy of both sides.

Escalation of U.S.-Iran Conflict Noted
OW280741 Beijing in Russian to the USSR 1800 GMT
22 Oct 87

[“International Events Review” program]

[Text] Our commentator writes: The incident that occurred on 19 October, when U.S. warships attacked two Iranian oil platforms, was a serious escalation of the direct conflict between the United States and Iran. It was the fourth U.S. attack on an Iranian target since the U.S. Navy began escorting Kuwaiti tankers on 22 July this year.

Although White House officials have repeatedly talked about a desire to lessen the possibility of U.S. involvement in the armed conflict, facts nevertheless show the opposite. Currently, the United States has concentrated the most powerful group of military forces overseas since

the Vietnam war, and it is constantly and directly being drawn into armed conflicts. Consequently, even the American public asks: Where is U.S. policy in the Gulf going?

Currently there are two trends in the Gulf issue. First, there is a search for ways to achieve a political solution and implement UN Security Council Resolution No. 598, which demands that Iran and Iraq immediately cease hostilities. Second, the Iran-Iraq war continues to intensify as do clashes between the United States and Iran.

People are alarmed over the fact that U.S. attacks on Iranian vessels and its bombardment of Iranian oil platforms took place at a delicate moment in the diplomatic activities of the UN General Assembly secretary general aimed at implementing Resolution No 598. After the attack on the Iranian oil platforms, Iran declared that it would take steps to avenge the incident. The United States also declared that it was prepared to deal the most powerful counterattacks for Iranian military actions. If both sides undertake military retaliation against one another, the situation in the Gulf will invariably deteriorate further, which will have a negative effect on the implementation of UN Security Council Resolution No 598.

People hope that both the United States and Iran, as well as Iran and Iraq, will demonstrate restraint, end military activities, and prevent continuation and expansion of the flames of war in order to realize an immediate end to the Gulf war and bring about a political solution and peace in the region.

United States & Canada

Paper Disappointed in U.S.-USSR Talks
HK280130 Beijing RENMIN RIBAO in Chinese
25 Oct 87 p 6

[Article by Zhang Liang (1728 0081): "American and Soviet Foreign Ministers Held Talks With No Decision Made"]

[Text] Moscow was enveloped in thick fog, and the weather was unusual. U.S. Secretary of State Shultz originally planned to fly from Helsinki to Moscow to hold talks with his Soviet counterpart, but he was forced to go to the Soviet capital by train. Although the talks between the foreign ministers of the two countries were not affected by the thick fog, just like the weather in Moscow, the outcome of the talks was "disappointing."

On 22-23 October, the U.S. and Soviet foreign ministers held talks again in Moscow as scheduled, to further discuss the issues of arms control, the third summit meeting between the two countries, and so on. Regional issues such as the situation in the Gulf as well as other things were discussed. Both sides claimed that their talks

were "deepgoing" and "constructive," but the two objectives were not fulfilled. The INF treaty was not finalized, and no decision was made on the specific date of the third U.S.-Soviet summit meeting.

When the American and Soviet foreign ministers met in Washington in mid-September, they reached an agreement in principle on the total destruction of their own intermediate-range nuclear missiles with a range from 500 to 5,000 kilometers. The United States would destroy 208 cruise missiles and 108 Pershing missiles deployed in Western Europe. The Soviet Union would destroy 441 SS-20 missiles, 112 SS-4 missiles, and 130 medium-range and short-range missiles. Both sides also agreed that the remaining "technical" problems would be discussed and solved by negotiators of the two countries in Geneva, so that when the American and Soviet foreign ministers met in Moscow the treaty would be finalized. However, this "historical" agreement in principle, which seemed to be nearly concluded, could not be signed as scheduled.

According to reports, during the busy meetings over the past 2 days, both sides removed some obstacles to the INF treaty. But problems concerning specific details on the measures for checking and examining have not yet been solved.

As far as the summit meeting is concerned, both sides originally hoped that a specific date for the meeting would be set on the premise that the INF treaty could be signed on schedule. Since the foreign ministers of the two countries could not finalize the treaty, naturally it was difficult to set a date for the summit meeting.

Actually, there are more important reasons contributing to why the date for the summit meeting could not be set. Both sides are widely divergent and hold greatly different views on strategic weapons, particularly on the issue of space weapons.

The way to reduce strategic weapons was another important topic discussed during the talks between the two foreign ministers.

When he met with Shultz, Gorbachev first talked about the issue of strategic weapons. In the almost 5-hour meeting, Gorbachev put forward a new proposal, asking the United States to make it law that it would not withdraw from the antiballistic missile treaty signed in 1972 for a period of 10 years and that it would abide by it. He also proposed reductions in breakdown figures of intercontinental missiles, submarine-based missiles, and heavy bombers. He hoped that the United States and the Soviet Union would reach a common understanding on strategic and space weapons. Gorbachev told Shultz that he intended to go to the United States, but he "did not rest assured" of the possible outcome of the meeting. It is obvious that the Soviet Union is still adhering to the principle of "linkage." In other words, it is only on the premise that the United States strictly observes the

antiballistic missile treaty will the Soviet Union agree to reach an agreement on the reduction of strategic weapons. Its purpose in so doing is to force the United States to give up its "Star Wars" program. The United States gave tit for tat. Shultz maintained that the United States would continue to implement its "Star Wars" program and oppose Gorbachev's "linkage" principle on linking strategic weapons with space weapons. At a press conference on 22 October, Reagan reiterated that there was nothing to talk about the "Star Wars" program, and that it was not a bargaining counter. Furthermore, although both sides agreed to reduce their own strategic weapons by 50 percent at last year's summit meeting in Iceland, each side has a plan of its own with regard to the breakdown figures. The United States wanted the Soviet Union to considerably reduce its land-based intercontinental missiles, where the Soviet Union has gained the upper hand. The Soviet Union's main purpose was to weaken submarine-based missiles and strategic bombers, where the United States has gained the upper hand. It is obvious that both sides are trying to preserve themselves and to destroy the enemy.

The outcome of the talks between the American and Soviet foreign ministers was beyond the expectations of the Western mass media, and they were disappointed.

It is obvious that it will take some time before the 6-year talks on intermediate-range missiles will finally reach an agreement. Although both Gorbachev and Reagan still hope that a summit meeting will be held this year, it is still uncertain whether it can be held on schedule.

With regard to the talks on strategic weapons and space weapons, there is no doubt that it is a marathon-style intense struggle. They are more difficult and thorny than the talks on medium-range missiles. Since the arms control talks are encountering difficulties and problems of regional hot spots cannot be eased, it is inevitable that ups and downs will occur in U.S.-Soviet relations and that they will sometimes be strained and sometimes relaxed.

Northeast Asia

DPRK Paper Praises Help During Korean War
OW261733 Beijing XINHUA in English 0929 GMT
24 Oct 87

[Text] Pyongyang, October 24 (XINHUA)—An editorial in Korea's leading newspaper said today Koreans will "never forget the blood and sweat shed by the Chinese People's Volunteers during the Korean War and its reconstruction."

On the 37th anniversary of the participation of the Chinese People's Volunteers in the Korean War, the *Nodong Sinmun* editorial said the Korean and Chinese peoples fought together against imperialism in the Democratic People's Republic of Korea (DPRK) and China.

During their common battle, the two peoples bound their destinies together and "have developed a relationship as close as flesh to blood," it said.

The common efforts have also "deepened the comradely friendship," the newspaper added.

The editorial hailed the achievements made by China under the leadership of the Communist Party of China (CPC) since the founding of the socialist republic in 1949 and especially after the Third Plenary Session of the party's 11th Central Committee.

The Korean people firmly support the policy of "one country and two systems" China has offered for the reunification of the country and the Chinese people's struggle to modernize their motherland and safeguard the world peace.

Koreans will, as always, unite with the Chinese people to fight for socialism and communism, the paper added.

Volunteers Honored at Banquet
SK250750 *Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 24 Oct 87*

[Text] The DPRK's General Consulate in Shenyang City hosted a banquet on 24 October to mark the 37th anniversary of the Chinese People's Volunteers in Korean War.

Attending the banquet were Cui Yukun, deputy secretary general of the provincial People's Government; Li Xishun, director of the provincial foreign affairs office; (Liu Chenwu), director of the office under the headquarters of the Shenyang Military Region; and Xu Jie, deputy secretary general of the Shenyang City People's Government.

During the banquet, Consul (Yi Chang-mun) and (Liu Chenwu), director of the office under the headquarters of the Shenyang Military Region, delivered speeches, in which they praised the militant friendship cemented with blood by the people of the two countries.

Leaders Welcome Japanese Delegations

Zhang Meets Junior Chamber
OW250023 *Beijing XINHUA in English 1141 GMT 24 Oct 87*

[Text] Beijing, October 24 (XINHUA)—Chinese State Councillor Zhang Jingfu met with a delegation from the Japan Junior Chamber Inc. led by its Executive President Osamu Asari here today.

Peng Meets Yokohama Group
OW261009 *Beijing XINHUA in English 0748 GMT 26 Oct 87*

[Text] Beijing, October 26 (XINHUA)—Peng Chong, vice-chairman of the Chinese National People's Congress Standing Committee, met with and hosted a luncheon for a delegation from Yokohama City, Japan, led by its Mayor Michikazu Saigo here today.

Shanghai Seeks Larger Japanese Investments
HK240728 *Beijing CHINA DAILY in English 24 Oct 87 p 4*

[By Zhang Ping]

[Text] Shanghai—Shanghai's economists and businessmen are not satisfied with the present level of investment from Japan and have urged Japanese businesses to invest more in the city.

Japan only provides 12.2 percent of total foreign investment, as compared to Hong Kong's 34.5 percent and the United States' 31 percent.

Up to the end of last month, Japan had 38 projects in Shanghai, with a total investment of \$202 million. Over 90 percent of this investment was put in small projects in the service industries, like hotels, villas, and restaurants.

Japan has little investment in industrial projects being mainly involved in labour-intensive production using less technology.

Bar the Shanghai Mitsubishi Elevator Company, all the Japanese projects here are small with an average investment of \$0.4 million. And the smallest investment is only \$40,000.

In a speech delivered on Wednesday to an economic symposium between the cities of Yokohama and Shanghai, which have formed on special link, Jin Qida, president of Shanghai Foreign Trade Association said he wondered why, such a developed industrial country as Japan with its many overseas investments, hesitated in investing in China.

Japanese economic experts said at the symposium that their country's businessmen had worries about investing in China.

First they said Japanese businessmen find it hard to accept setting [a] time limit for joint-ventures, such as 20 years, because doing business is a long-term matter. Second, the problem of balance of payment is also an obstacle because it is hard to first export markets nowadays. Third, there are not enough of locally made components for joint-venture production.

In a word, Japan urged, China to improve its investment environment to reduce investors' risks.

China has been opened to the outside world for only ten years. And has to improve its investment environment, Jin Qida agreed.

But the most important thing is that China's attraction to investors is really growing and this is also recognized by other foreign businessmen, he said.

In recent years, Shanghai has brought in new regulations in a bid to attract more foreign investments. Last year alone, Shanghai set up a foreign investment affairs office, foreign, exchange adjusting centre and a materials service company for joint-venture enterprises.

And those enterprises with advanced technology and export potential will enjoy more favourable treatment including the deduction of local income tax and land-use fees.

Southeast Asia & Pacific

Ambassador Supports Sihanouk Proposal
BK280049 Bangkok THE NATION in English
28 Oct 87 pp 1, 2

[Text] China approves of Khmer resistance leader Prince Norodom Sihanouk's planned meeting with Hun Sen, premier of the Heng Samrin regime, Chinese Ambassador Zhang Dewei said yesterday.

"China does not have any disagreement with Prince Sihanouk meeting Hun Sen," Zhang said in a reply to a reporter's question at the "Meet the Ambassadors" lecture series, organized by the Chulalongkorn University's Institute of Asian Studies.

Hun Sen has told an international news agency that he is ready to meet Sihanouk in Paris in December. Sihanouk will go to Paris to meet with other leaders of the Kampuchean resistance coalition. The meeting was initiated by seven former Khmer political figures to bring together Khmer rival parties.

Zhang's statement is the first official Chinese response to the meeting between Sihanouk and Hun Sen. China is the major political and military backer of Sihanouk's faction in the Coalition Government of Democratic Kampuchea (CGDK).

Answering another question, Zhang said the CGDK's eight-point peace proposal, of which Sihanouk is the president, must be the guidelines of any negotiations to settle the Kampuchean conflict.

"If any meeting puts aside this eight-point proposal, a just and reasonable solution of the Kampuchean question will not be found," the ambassador said through an English interpreter.

He said elements of the proposal should be adopted by any peace negotiation to settle the conflict.

The CGDK's plan seeks, among other things, a two-phased withdrawal of the Vietnamese troops from Kampuchea, forming a four-party government that includes the Vietnamese-backed Heng Samrin regime, and then a general election in Kampuchea.

Vietnam and the Heng Samrin regime have rejected the eight-point proposal, which was first publicly announced in Beijing in March 1986.

Zhang said China "understands" Sihanouk's decision to find a settlement to the Kampuchean conflict.

"Recently, the Vietnamese authority has changed a little in words on the Kampuchean problem but its basic stand has remained unchanged," Zhang said.

He did not elaborate on what changes China sees in the recent Vietnamese pronouncement.

"It (Vietnam) is still unwilling to give up its aggressive and expansive policy towards its neighbouring countries," he said in his speech.

"China, as well as ASEAN, can never accept the fait accompli of Vietnam's aggression and occupation of Kampuchea," he said.

He said the key to the political settlement of the conflict is the complete withdrawal of Vietnamese troops from Kampuchea.

The Chinese ambassador, replying questions on the Thai government's ban on the entry of Tibetan spiritual leader Dalai Lama, said China opposes any country which will let the self-exiled Buddhist monk leader to stage a political movement, which, Zhang said, would lead to separation of China.

Beijing regards Tibet as one of its provinces and there is "no Tibet question," he told his audience which included academics, diplomats, journalists and the interested public.

Tibet would not be granted the status such as that of Hong Kong or Macao, the two Chinese territories that have been on lease to Britain and Portugal respectively, Zhang said.

Leases will expire for Hong Kong in 1997 and Macao in 1999 and Beijing has said it would govern these territories under a policy of "one country, two systems," letting them enjoy a great deal of capitalist independence.

The Thai Foreign Ministry has forbidden the Dalai Lama from entering Thailand following reports that he has been invited to participate in a meeting of Magsaysay awardees who will celebrate the 30th anniversary of the so-called Asian Nobel Prizes in Bangkok next month.

More on Statement
BK280207 Bangkok THE NATION in English
28 Oct 87 p 4

{"Excerpts" from "official translation" of the 29 October speech by Ambassador Zhang Dewei at Chulalongkorn University in Bangkok}

[Text] "China and Thailand have been friendly neighbours since ancient time. Contacts between the two peoples have a very long history, which can be traced back to more than 2,000 years when there existed commercial and personnel exchange.

"The normal relations between China and Thailand were suspended from the 1950s to the 1960s because of the changes of the international environment, but the friendship and contacts between the two peoples has never been interrupted. With the common efforts of the Chinese and Thai governments and peoples, M.R. Khukrit Pramot paid a visit to China on July 1, 1975, officially resuming the diplomatic relations between the two countries, and ushering in a new historical stage for the Sino-Thai friendly relations.

"For the past 12 years, the two governments have strictly abided by the principles of the Communique on the establishment of Diplomatic Relations and the Five Principles of Peaceful Co-existence, treated each other sincerely and established a relation of mutual trust. We have also had fruitful cooperation in the fields of politics, foreign affairs, economy and trade, science and technology as well as culture, etc.

"First of all, there exist frequent exchanges of visits between the state leaders of the two countries, the two governments, the two parliaments, the two armies and the two peoples. This reflects not only the friendship between our two peoples, but also a close political relations between our two countries. As state guests of honour, HRH Crown Prince Maha Wachiralongkorn, HRH Princess Maha Chakkri Sirinthon and HRH Princess Kalayani Watthana paid successive official and friendly visits to China. These visits are great events in the history of Sino-Thai friendly relations, making important contributions to the development of friendly relations between the two countries.

"Besides, several prime ministers, deputy prime ministers and foreign ministers of the successive Thai governments, several presidents and deputy presidents of the Thai Parliament and several supreme commanders and commanders-in-Chief of the army, navy and air force also made successive visits to China. On the other hand, Chinese leaders like Deng Xiaoping, Li Xiannian, Zhao Ziyang, Deng Yingchao as well as several vice premiers, vice chairmen of the Standing Committee of the National People's Congress, foreign ministers, chief of general staff, deputy chief of general staff and some commanders of the three forces of the Chinese military also made friendly visits to Thailand. Through these high

level exchanges of visits, both sides frequently exchanged views on the development of bilateral relations and consulted with each other on timely international and regional situations and issues, thus promoting the bilateral friendly cooperation both in depth and in width.

"At present, friendly contacts have also been set up between some parallel government and local organizations of the two countries. The scope of cooperation and exchanges are developing in width to the fields covering economy, trade, communications, transportation, science, technology, education, culture physical culture, public health, news media, broadcasting and religion etc."

"The friendly contacts between the Chinese and Thai peoples are also very active, comprising an important part of the friendly relations of the two countries. China has not only attached importance to the promotion of the contacts between the two governments, but also devoted much attention to the contacts between the non-governmental organizations and peoples of the two countries. The bilateral friendly contacts by non-governmental organizations and peoples, and even those activities like sightseeing tours, visiting friends and relatives by the ordinary people, have also played an active role in promoting mutual understanding and friendship. With the conclusion of the Air and Sea Transport Agreements by the two governments, air and sea traffic lines were opened, greatly shortening the geographical distance between the two countries, and making the contacts between the two peoples more convenient."

"The past 12 years have witnessed a considerably high level of exchanges and cooperation in the spheres of culture and education, and these exchanges are now becoming more and more extensive with each passing day. The Chinese side has sent several dozens of cultural troupes, including those of song and dance, acrobatics, Diejiu opera and Hainan opera, to give performances in Thailand. In return, the song and dance troupe of the Fine Arts Department of Thailand made four visits to China and gave performances there.

"In 1985, on the occasion of the 10th anniversary of the establishment of diplomatic relations between China and Thailand, each government held Film-Week Festivals in the other country. In November this year, China will send the Wuhan Acrobatic Troupe with China's unique giant panda to give performances in Thailand, joining the Thai people in their activities of celebrating the 60th birthday of HM the King.

"In the field of education, besides the exchanges of inspection tours between the Chinese and Thai scholars, both sides have also carried out academic exchanges and made breakthrough through joint efforts in their studies of "The Origin of the Thai Nation," which is of common interest to both countries. Each year, the Chinese and Thai governments also sign agreements on the exchanges of scholarship students. Beijing University of China has

established friendly relations with Chulalongkorn University. Chulalongkorn University has provided Chinese graduate students with very good conditions for their advanced studies.

"The economic and trade relations between China and Thailand are developing steadily and stably, bringing profits to both sides. The total trade volume between the two countries in 1975 was only \$21 million, while in 1986 it went up to \$350 million, a 16-time rise. Remarkable changes have also taken place in the assortment of trade commodities of the both sides. At the beginning, the commodities exported from China to Thailand were mainly crude oil and light diesel oil, and the commodities exported from Thailand to China were mainly agricultural products such as rice and maize. At the present time, the commodities exported from China to Thailand have expanded to chemicals, medicines, local and special products light industrial products, mechanical equipment while the commodities exported from Thailand to may country have expanded to synthetic fibre, glass, steel tube, gem, fish meal, machinery. The structure of commodity has become more diversified.

"In terms of balance of trade, in recent years, the Thai side has successively maintained [a] big favourable balance as the Chinese side has increased the purchase of Thai agricultural products at the request of the latter, while the Thai side has decreased the import of petroleum products from China. This proves that the trade relations between our two countries embody the spirit of equality and mutual benefit and meeting each other's needs."

"However, there are still some problems in our trade, which need to be reviewed. First of all, both China and Thailand belong to developing countries. Agricultural products comprises a large proportion of our export commodity items, which leads to the clash of export commodities and restrains commodity exchange of the two sides. Thailand has flourishing agriculture and its agricultural products have a very important place in international markets. But Thailand hopes that the Chinese side will purchase more agricultural products from Thailand since international markets are becoming narrower day by day. Hence, in the past few years, the Chinese side has always exerted its best efforts to cooperate, placing the interests of our friendship above everything else.

"For instance, last year, my country imported 690,000 tons of maize and 255,000 tons of rice from Thailand, the amount of which makes up more than half of China's total import value from Thailand. In the first half of this year, my country again imported 300,000 tons of rice from Thailand. As far as China is concerned, its rice production occupies first place in the world, and it exports nearly several million tons of rice and 6 to 7 million tons of maize every year apart from its domestic consumption. Henceforth, the production of domestic agricultural products tends to continue to increase in

China. Under this situation, how to keep the momentum of trade development between the two countries is a problem for the governments and trade circles of our two countries to further study.

"Secondly, the absolute trade volume of the two countries is still rather small and the rate of increase should be sped up. The factors which have brought about this situation are quite complicated. Some are due to the rather small basis of our trade and the limited economic capacity of our two countries and some stem from the structural change in our trade commodities.

"In the first several years, China exported much more crude oil and petroleum products to Thailand. For example, the total amount of money was \$190 million in 1980. But in recent years, Thailand has reduced the import of petroleum products from China. In 1986, the amount of petroleum products imported from China by Thailand went down to \$40 million. This drove the two sides to find ways to pursue and open up new commodities. Both sides have the desire to further develop trade and are active in seeking channels and methods to expand it. We think what is urgent now is to further exploit new commodities needed by our two countries and open up new trade channels and the potentials are there."

"Now the Chinese side is further expanding the studies of Thai commodities and we hope that the possibility of expanding the import of Chinese products as well. Chinese machinery, chemical raw materials and coal have rather low prices and are all suitable for Thai markets.

"Both China and Thailand are short of foreign currency. In opening up barter trade, the two sides, can help meet each other's needs and expand import without paying cash. This will be beneficial for both sides. We can as well combine trade with investment to operate it in joint investment or in cooperation.

"Since China and Thailand are geographically close, transportation takes a short time and the cost is low. And both countries have rich resources and wide markets. With the economic development of our two countries, the capability of taking in commodities from each other will be augmented. Therefore, I am optimistic about the prospect of trade between our two countries."

"Although the investment between China and Thailand started late, it has developed well. The two governments have signed the Agreement of Promotion and Protection of Investment and Agreement of Avoidance of Dual Taxation. A joint committee of economic cooperation between China and Thailand has been set up. The signing of the two agreements have played an active role in developing the economic relations between our two countries, especially in promoting investments. Up to now, Chinese and Thai companies have signed 30 contracts for joint ventures in China, 20 projects of which have been set up and put into operation, including

feed-processing plant, breeding farm, can plant, glass works, motor factory, air-conditioner factory, synthetic fibre factory, carpet plant, hotel, and restaurant. Most of these projects have gained good economic results and benefited the two sides.

"The investment of Chinese companies in Thailand has increased gradually as well, and they have signed more than 20 contracts for cooperative projects, including projects such as machinery factory, pharmaceutical factory, refined salt factory and shipping service company. Some Chinese building companies have also contracted a small number of medium and small-building projects in Thailand. We hope that mutual investment between China and Thailand will be further expanded on the present healthy basis."

"Considerable progress has been made in scientific and technological cooperation between our two governments since the signing of Scientific and Technological Cooperation Agreement in 1978. A committee of cooperation in science and technology at vice-ministerial level has been set up between the two governments. So far it has convened seven meetings and agreed on 232 cooperative items on science and technology. The Chinese side has accepted 133 items of science and technology study tours from the Thai side, while the Thai side has accepted 99 items from the Chinese side. The tours involved a total number of more than 800 persons/times [as published]. The cooperative fields are very broad and cover steel industry, electronic industry, petrochemical industry, electricity transmitting and generating, artificial rainfall, rain forecast by satellite, geology and mining, hydro-meteorology, forestry and gardening, medical and health work. The exchanges have made up for each other's deficiencies in the development of social-economy of the two countries and have achieved good results.

"The development of friendly cooperation between China and Thailand is all-round and rapid, although 12 years is not a long time. Good cooperation has been built up between the two countries in the fields of politics, foreign affairs, economy, trade, science and culture.

"Through this kind of friendly cooperation, day by day, understanding becomes deeper, friendship closer and mutual trust further strengthened between the peoples of the two countries. It is the set policy of China to continuously strengthen friendly cooperation between the two countries. Maintaining long-term Sino-Thai friendly cooperation not only accords with the basic interests of our two peoples, but is also beneficial to safeguarding peace in Asia and Southeast Asia. I am convinced that with the joint efforts of the two sides, friendly cooperation between China and Thailand will surely be developed and strengthened constantly."

Investment Climate 'Will Steadily Improve'
OW260749 Beijing XINHUA in English 1617 GMT
22 Oct 87

[Text] Singapore, October 22 (XINHUA)—China's investment conditions and the specific policies and measures adopted by China for foreign investment will

steadily improve, stressed a Chinese economist here today at the opening session of the International Conference on China's Trade and Investment Policies.

China puts a special premium on setting up enterprises in cooperation with foreign investors who are technologically advanced or capable of turning out products for export, said He Chunlin, director of the Office for Special Economic Zones of China and the office of leading group for foreign investment.

The areas into which China currently hopes to channel foreign investment include energy, transportation infrastructure, manufacturing industries, agriculture, forestry, animal husbandry and aquatic breeding and undertakings offering scientific and technological services, he said.

Meanwhile, he said China has adopted certain restrictive measures in some areas. For instance, he said, Chinese-foreign banks and foreign-owned banks are allowed to be set up only in special economic zones.

West Europe

Trade Cooperation With Great Britain Expands
HK281132 Hong Kong ZHONGGUO XINWEN SHE
in Chinese 1255 GMT 23 Oct 87

[By reporter Sun Zhimin (1327 1807 3046)]

[Text] Tianjin, 23 Oct (ZHONGGUO XINWEN SHE)—The 3-day Sino-British economic and trade cooperation talks concluded here on 22 October. The two parties signed an accord of 17 items on cooperation and joint investment. This shows that Sino-British economic and trade cooperation has made another stride along the road of healthy progress.

The United Kingdom is one of China's major partners in economic and trade cooperation in Western Europe. With the successful settlement of the Hong Kong issue and the mutual visit of the heads of state of the two nations in recent years, Sino-British relations have entered a new historical phase and laid the foundation for bilateral economic, trade, and technological cooperation.

According to statistics of China's Ministry of Foreign Economic Relations and Trade, the Sino-British bilateral trade volume was \$1.33 billion in 1986 and \$690 million in the first half of 1987, increasing somewhat over the same period of last year. The bilateral economic and technological cooperation has extended in scope, in varied forms. By the end of 1986, the two countries had signed 34 accords on cooperation in various categories or items of joint ventures, involving \$426 million of British investment.

Understanding is the prerequisite for cooperation. The frequent mutual visits of leaders and senior officials of the two countries as well as the ever-closer ties between figures in the business circles of both sides in recent years have undoubtedly played an active part in strengthening and enlarging the Sino-British bilateral economic and trade cooperation. Just as Lord Young, the British secretary of trade and industry, said in an interview with reporters: "The question is how to introduce the British business circles to all major cities in China." It is precisely on such grounds that the British party has sent a delegation representing 17 corporations to participate in the talks in Tianjin.

Needless to say, there are still some pressing problems to be solved with the joint efforts of the two parties. For example, the proportion of China's exports in the British import volume is still very small; the trade deficit on the

Chinese side must be eliminated; and in China's exports to the United Kingdom, the progress is slow for new products to enter the market. True, the Chinese party should exert greater efforts, but the British party has been too restrictive toward the Chinese party regarding the quotas of some exports to the United Kingdom; this has affected Chinese products with potentials to enter smoothly into the British market.

Viewing the whole situation, we can see there are still very great potentials in the Sino-British bilateral economic and trade cooperation. In recent years, the British economy has grown continuously, coming up top in the West. While China has a broad market, with the deepening of the implementation of the policy of reform and opening up and the improvement in the investment climate, the conditions for China entering foreign cooperation will become better and better.

CPC 13th Party Congress Continues

Attracts Worldwide Attention

OW271049 Beijing XINHUA in English 0842 GMT
27 Oct 87

[Text] Beijing, October 27 (XINHUA)—The 13th Congress of the Chinese Communist Party, which opened Sunday in Beijing, is receiving considerable attention from the international media.

More than 300 foreign correspondents on hand have sent comprehensive reports around the globe featuring a positive assessment of the meeting, which only happens every five years, and the political report by party leader Zhao Ziyang.

The opening at Beijing's Great Hall of the People was broadcast live abroad and received speedy and intensive coverage by the other news media.

At the eight-day congress, some 2,000 delegates representing the 46 million party members will define China's economic development policies as well as its economic and political reforms; and the world is watching eagerly. An editorial in "Nodong Sinmun," the official newspaper of the Workers' Party of Korea, said the 13th Congress is a significant event in the social and political life of the Chinese Communist Party and the Chinese people.

"The Chinese people led by the Chinese Communist Party have made a great achievement in building socialism with Chinese characteristics and we are delighted with the achievement," the newspaper said.

The Yugoslavian news agency TANJUG said the 34,000-word opening report by Zhao, acting general secretary of the Chinese Communist Party happily showed that China's political reforms will stay to the socialist road.

The report also showed clearly that the party has the matured view on China's existing political structure, TANJUG noted.

Eastern Europe's news media also showed great interest in the congress. It was featured in front page stories in Democratic Germany, as well as a five-minute report on the opening day during the evening television news broadcast.

Rude Pravo, the official Czechoslovak party newspaper, devoted a half-page space to the Zhao's report. Bulgarian newspapers and radio and television programs covered the first day of the congress, calling it the day's most important story.

Early on both October 25 and 26, major newspapers and broadcasts in Japan focussed on the gathering. The NHK network and other private networks showed film clips of senior leader Deng Xiaoping's formal opening of the congress and Zhao's report.

The front pages of Tokyo's leading newspapers carried detailed reports of early events at the congress.

In a commentary on this important congress, Japan's JIJI news agency the theory of the "primary stage of socialism" put forward by the Chinese Communist Party emphasized the key task of developing productive forces. [sentence as received] It provided a sound theoretical foundation for various bold reforms and the opening policy.

The Beijing correspondent of Japan's KYODO News Service said that Zhao's report reaffirmed the reform process that started after the 3rd Plenum of the 11th Party Congress in 1978. It also announced to the world that the party's line on reform and opening to the outside world is correct. The Spanish news agency EFE said initial signs from the congress indicated that the defenders of the reform and the open policy will be victorious.

The Spanish newspaper "EL PAIS" (State) said this 13th Party Congress would be widely influential.

TV Shows Second Presidium Meeting

OW271850 [Editorial Report] Beijing Television Service in Mandarin at 1100 GMT on 27 October, in its "National News Hookup" program, carries a 2-minute CPC National Congress held at the Great Hall of the People on the morning of 27 October. The video report opens with a medium shot of Zhao Ziyang. The camera then pulls back, showing Zhao flanked by Ulanhu on his left and Wan Li on his right. Video then cuts to a medium shot showing Qiao Shi speaking. After a long shot showing participants raising their hands, video cuts to pan shots showing participants seated in rows. Then long shots are shown of participants raising their hands and clapping, followed by medium shots showing Zhao Ziyang and Bo Yibo speaking. After this, pan shots show the following leaders seated from left to right as seen on the screen: Deng Liqun, Song Renqiong, Wang Zhen, Qin Jiwei, Yao Yilin, Hu Qiaomu, Wu Xueqian, Yang Shangkun, Qiao Shi, Fang Yi, Wan Li, Zhao Ziyang, Ulanhu, Xi Zhongxun, Tian Jiyun, Li Peng, Yang Dezhi, Yu Qiuli, Hu Qili, Ni Zhifu, Chen Muhua, Bi Yibo, Chen Pixian, and Hao Jianxiu. The video report ends with a shot showing the participants raising their hands.

Adopts Discipline Report

HK280900 Hong Kong WEN WEI PO in Chinese
28 Oct 87 p 7

[Report by WEN WEI PO reporter group: "The CPC Has Taken Strict Disciplinary Action Against Party Members Who Violated Discipline and Expelled 150,000 Party Members in 4 Years"]

[Text] Beijing, 27 Oct (WEN WEI PO)—The Presidium of the 13th CPC National Congress adopted during its second meeting today a work report by the Central Discipline Inspection Commission.

It is learned that because the CPC has been strict in party consolidation in the past few years, party conduct and discipline have taken a favorable turn. From 1982 to 1986, the party took disciplinary action against a total of 650,141 party members who had violated party discipline, 151,935 of whom were expelled from the party. From 1985 to 1986, the relevant departments handled quite a few major and serious cases. As a result, penalties were imposed on 74 cadres at the provincial and army level and on 635 cadres at the prefectural and division level.

During the party consolidation, attention was also paid to the necessity of cracking down on serious economic crimes. During the nationwide drive to deal blows at economic crimes from 1982 to mid 1986, disciplinary action was taken against a total of 67,613 party members who were involved in these activities, 25,598 of whom were expelled from the party.

The delegate [as published] noted: There are a few contributing factors for all these violations of discipline. They are: 1) The lack of a correct estimate of the possible changes in party members' ideological understanding after the CPC became the ruling party; 2) the corrosive influence of decadent capitalist ideology and feudal remnants under new circumstances; and 3) aftermath of the sabotage by the "gang of four" and so on.

Local Leaders 'Polled' on Deng
OW281037 Beijing XINHUA in English 0927 GMT
28 OCT 87

[Text] Beijing, October 28 (XINHUA) — Leaders from four Chinese cities who are attending the party congress were "polled" here today by reporters on whether Deng Xiaoping should remain in his posts.

The question was put by a reporter from the "U.S. News and World Report." Following are their answers:

Li Zemin, party secretary of Shenyang: Comrade Deng Xiaoping expressed on several occasions his intention to quit leading positions when he met foreign guests. The ongoing party congress will show whether the party will accept his request.

Zhu Senlin, mayor of Guangzhou: Comrade Deng Xiaoping is our party's de facto leader and the man at the helm. Elections will be conducted by secret ballot. I would keep it a secret about my own decision.

Liao Bokang, Chongqing party secretary: Comrade Deng Xiaoping is a native of Sichuan and worked in Chongqing as the leader for southwest China in the early years after the founding of the People's Republic. We in Sichuan have special affection for him. He has been leading the country's reforms and the opening to the outside world. Many of us have been trying to persuade

him not to quit. And we are also being persuaded to let him leave. I'll make a serious decision when this question is put to voting at the party congress.

Zhao Baojiang, mayor of Wuhan: To be frank, I hope he won't quit the Political Bureau. But Comrade Deng Xiaoping has recently presented an important reason for doing this. And I'm weighing the pros and cons. At any rate, I hope he will continue to play an important role, quit or not.

Finally, the Shenyang party secretary added: Comrade Deng Xiaoping is our party's worthy leader. Whether he quits leading posts will be decided according to the interests of the party and the people.

Taiwan Journalist Interviewed

HK280815 Hong Kong HONGKONG STANDARD
in English 28 Oct 87 p 7

[Text] Setting yet another precedent, a Taiwan journalist stole the limelight when he turned up to cover the Chinese Communist Party's 13th Congress and went on the air with pointed questions for one of the mainland's leaders.

Pi Chieh-hsing, 32, who arrived in Beijing yesterday, was given the almost unheard-of opportunity at a press conference to rephrase his question when he was not satisfied with the answer.

And the equally rare opportunity of asking a second question. Because on such a big occasion so many reporters are attending press conferences, journalists are allowed only one question each.

The questions from Mr Pi, vice-director of the *Trans-World News Agency*, were about contacts across the narrow Taiwan Strait and treatment of intellectuals in China.

As he rose to ask them, all cameras and microphones were focused on him and Mr Pi became the first Taiwanese to be heard directly on the air and seen at a televised press conference. He was also the first Taiwan journalist to attend an official press function on the mainland since 1949.

Last month, two journalists from the *Independence Evening Post*—Lee Yung-teh and Hsu Lu—became the first journalists from the island to visit the mainland openly.

They were followed immediately by a reporter from *Ren Chien [This World]* magazine, who is still touring the country and is not expected to return home until December.

Mr Pi arrived in Fujian Province from Manila a month ago and was quietly flown to the capital yesterday morning. The arrangements were made by the *China News Service*.

In the afternoon, he was taken to the congress press centre in the All-China Journalists' Association for accreditation, receiving ID No 0298, probably the last to be issued for this conference.

While the pro-Beijing Hong Kong newspapers *Ta Kung Pao* and *Wen Wei Po* carried interviews with him, both the local *People's Daily* and *China Daily* reported his presence at the bottom of their front pages.

In an interview with the *Standard*, Mr Pi said he had planned the trip for quite some time but he didn't have much information to go on. An application to leave Taiwan was submitted in March and he did not receive the necessary papers until last month.

He applied to the Chinese Embassy in Manila in his capacity as a journalist but did not say he would be covering the congress, Mr Pi said.

Asked why he made the trip, Mr Pi said he wanted to get a better understanding of the mainland. "I want to know what the congress will come up with. The decisions it takes will have a significant impact on both sides of the Taiwan Strait.

"Taiwan has already lifted the ban on visits to relatives on the mainland. But there are practical questions to be resolved, such as the legacies of the people.

"These have to be discussed by the two sides. There should be more communication other than just more visits after this," Mr Pi said.

Although Taiwan allows its citizens to visit relatives on the mainland, journalistic coverage such as Mr Pi's and that of the two journalists from the *Post* is not permitted. Both Mr Lee and Ms Hsu, along with their publisher, have been charged in court.

But Mr Pi said Taiwan was becoming more liberal and he was not afraid of any punishment upon his return.

"I think that chances are low for the *Independence Evening Post* to be penalised. Feelings have been aroused. People want to come to the mainland for visits, meet relatives and do business. For a journalist, a little adventure and risk are unavoidable."

Of his month's stay in Fujian, Mr Pi said he was rather disappointed with economic development there. "The standard of living there is like Taiwan 15 or 20 years back. And people there don't seem to have much manners. They spit everywhere," he said.

He said Taiwan was very advanced economically, and thought it should assist in the reforms and development of the mainland.

Of complaints about lack of freedom for the two journalists who preceded him, Mr Pi said there were limitations but not as bad as the two had reported.

Mr Pi said he had read the political report to the Congress from Acting Party Chief Mr Zhao Ziyang. He said it was a good report, pinpointing mistakes and giving detailed suggestions on remedies.

Mr Pi is an active member of the opposition camp in Taiwan. He associates himself with the newly-established Labour Party and the China Tide Association.

He said he was not a member of the Democratic Progressive Party although he had worked for it during previous elections.

Mr Pi thought Taiwan's lifting of restrictions on formation of political parties would affect the mainland. "There is discontent when people are not allowed to form their parties. In China, they may only choose to join the Communist Party.

"This may harm the party. Controls should be lifted when the situation becomes more democratic and open," he said.

Mr Pi will be visiting Hangzhou to meet relatives after the congress before proceeding to Wuhan. He plans to return home next month.

In Taiwan, a government spokesman told the *Standard* that he was aware of Mr Pi's presence on the mainland. The journalist would be dealt with "in accordance with the law" when he returns, he added.

But he could not say if Mr Pi would face charges similar to those against the Mr Lee and Ms Hsu "because he has not published anything about his visit so far".

Interview With Hainan Officials
OW280801 Beijing Domestic Service in Mandarin
0400 GMT 28 Oct 87

[Interview with Xu Shijie, chairman of the Preparatory Group for the Establishment of Hainan Province; Yao Wenxu, member of the Preparatory Group for the Establishment of Hainan Province; and Wang Yuefeng, deputy secretary of the Hainan Administrative Regional CPC Committee; by Chinese and foreign reporters in Beijing on 28 October; Xu Shijie, Yao Wenxu, and Wang Yuefeng speak in Mandarin followed by passage-by-passage English translation; foreign reporters' questions in English followed by passage-by-passage translation into Mandarin—recorded]

[Text] [Reporter] I am from the Spanish daily *E/ Pais*. I have two questions. For doing business, to what extent will Hainan Island be similar to Hong Kong? The second

question is: What is the difference between the special conditions Hainan Province will offer for foreign investment and the special conditions the special economic zones are now offering, and will there be free exchange of foreign currency?

[Xu Shijie] Hainan Island is different from Hong Kong. We are still socialist, still uphold the four cardinal principles, and are under the CPC leadership. Hong Kong is a free port. Hainan is similar to a free port in some respects, but it is not a hundred percent free port. There are still some restrictions.

We will, of course, learn from Hong Kong's good technique and managerial experience in economic work. Foreign investors on Hainan Island enjoy all the preferential treatment now in existence in other economic special zones. Apart from this, there are some differences. As Hainan Island will have greater autonomy, projects will receive quicker approval and the amounts allowable for projects will be larger. Limitations in scale of basic construction on Hainan Island will not be as strict as elsewhere. It will be easier for people from abroad to get into and get out of Hainan Island. Export of foreign-invested products will be free of the limits now imposed on other products produced in China. There will be more flexible arrangements for foreign currency. These are the main differences.

[Reuter reporter] In what way will Hainan be a province that will help strengthen China's defense? And would you comment on allegations in the Taiwan press that such a move would be directed at Vietnam. Also, what further development, either in the fishing, naval, or meteorological field is envisaged in the Nansha Islands to bolster China's claim to sovereignty there? Second, would you welcome Mr Lei Yu back to Hainan to participate in the new economic development? And what steps will you take to avoid the misunderstanding about the motives of economic development that occurred last time when you had such a big drive with some people importing cars and taking a too literal view of the idea that to get rich is glorious?

[Xu] Establishing Hainan as a province is solely for the purpose of accelerating the development and construction of that area. Once Hainan is developed, people's livelihood will be improved and that will lead to further strengthening of our national defense. That goes without saying. The Xisha, Zhongxha, and Nansha areas have always been Chinese territory. The Hainan Administrative Region has offices there. We have a meteorological station and fishing grounds there. The so-called motor vehicle incident occurred on Hainan Island. Comrade Lei Yu, who worked there at the time the incident occurred and was responsible for that incident, is now doing very good work in Guangzhou City. He has no plans to return to Hainan. As for the motor vehicle incident, I would like to ask Comrade Yao Wenxu to answer that question because he was there at that time.

[Yao Wenxu] The motor vehicle incident wouldn't have happened if the policy of the Central Party Committee had been implemented. The problem lies in the fact that according to the regulations of the party Central Committee, those motor vehicles imported by Hainan Island could only be used in that area. However, the imported motor vehicles were resold to other localities in China, which was against the regulations of the party Central Committee. This problem was settled satisfactorily with the help of the party Central Committee and Guangdong Province.

The gentleman just raised the question of whether it is glorious to get rich. Our consistent policy is that it is glorious to get rich through labor. However, one should get rich according to state policy. The motor vehicle incident in Hainan shows that, on the one hand, we should vigorously open Hainan to the outside world according the policies of the party Central Committee; on the other hand, we should strictly observe the policies of the party Central Committee.

[Xu] Thank you.

[Reporter] I am from Hong Kong's *Sing Tao Jih Pao*. I would like to ask several questions. The first question is: While preparing to establish it as a province, will Hainan raise funds in Hong Kong? If so, what is the approximate amount to be raised? The second question is: Will Hainan invite talented people from Hong Kong to work there? If so, what categories of talented people will be invited? The third question is: As we understand, Hainan is preparing to set up an advisory committee consisting of people from Hong Kong. What will be the work of the committee? Has Xu Jiatun, director of the Hong Kong Branch of the *Xinhua News Agency*, already been engaged as an adviser? [These questions were asked in Mandarin and not translated into English]

[Xu] On the third question, Hong Kong is a source of funds. However, the amount of funds we can raise in Hong Kong depends on whether or not entrepreneurs are willing to invest in Hainan and how much they are willing to invest there. This has to be done by mutual consent. So it does not really depend on our subjective will.

Of course, in the course of developing Hainan Dao, we need to invite a lot of talented people from within China and abroad. However, this will parallel the development process in Hainan. For instance, if we want to develop natural gas, petrochemical, and chemical fertilizer industries, we will need people in these fields and invite them to work in Hainan.

Comrade Xu Jiatun, director of the Hong Kong Branch of the *Xinhua News Agency*, made an inspection tour of Hainan, and we know each other very well. We wanted very much to invite him as our adviser, and he readily accepted it.

[Xu] We are planning to set up an advisory committee in Hong Kong but we have not finalized its membership yet.

[Reporter, speaking in Mandarin in first sentence and then in English] I represent *Izvestiya* of the Soviet Union. I would like to ask Xu Shijie two questions: First, in a recent issue of *Beijing Review*, you said: After Hainan becomes a Chinese province, it will be run by an efficient administrative organization characterized by less red tape. Could you tell us the secret of how you are going to achieve this goal? The second question is: You just mentioned that you are going to invite a large number of talented people to Hainan. Are you going to give them a sort of preference in the form of high salaries, and so forth and so forth? Thank you.

[Xu] When Hainan becomes a province, we will set up an administrative organization according to the program on political structural reform to be discussed and approved by the 13th Congress. Therefore, much of the economic work which should not have been under government supervision will be handled by such economic independent units as development companies. They will be given powers of self-management and decisionmaking. The government will only administer matters under its jurisdiction and will have a compact, efficient organization. As for inviting talented people to work in Hainan, in addition to those invited by Sino-foreign joint ventures and enterprises solely owned by foreign capital, our enterprises will invite people specializing in various fields on the basis of our needs, and will pay them higher salaries. [Sentence indistinct] [Xu's answer not translated into English]

[Reporter] I am Zeng Yide from *Huaqiao Ribao* [*Overseas Chinese Daily*] on the American continent. As is known, Hainan is similar to Taiwan in its area and climate. It has been reported abroad that the aim of establishing Hainan Province is to compete with Taiwan. Could you tell us how you are going to compete with Taiwan and how sure you are of the success? [These questions not translated into English]

[Xu] The area Hainan Island covers is slightly smaller than Taiwan, but the resources are almost the same as those in Taiwan. However, due to historical reasons, the total income of the people in Hainan is less than that in Taiwan. There is indeed a gap. Therefore, we will adopt a more open policy, that is, the state will give greater autonomy and adopt more preferential policies toward Hainan. Under the good policies, we will work hard to try to catch up with Taiwan within a not too long period of time. However, as to when and how we can catch up with Taiwan, that depends on our efforts. I am not familiar with the current conditions in Taiwan, but I'm studying the situation there. After the 13th Party Congress, we will have a correct line, principles, and policies. Meanwhile, the people in Hainan are determined and confident that we can accelerate our pace of development.

[Reporter] I am from VOA. Can you tell us when Hainan will become a province? You also said that Hainan will be structured in a new way from the beginning. Can you tell us if the functions of the Communist Party and the government will be separated? And specifically, what other aspects of Zhao Ziyang's plan will be implemented?

[Xu] According to the provisions of Chinese law, the establishment of a province shall be decided by the National People's Congress. That means that we have to wait until the first quarter of next year when the People's Congress will be in session to examine and approve the establishment of the province. Once this is approved, the province will come into being. As for the question concerning the separation of the functions of party and government, they will be separated from the very beginning. We will not only separate party from government functions, but also those of government from enterprise. This will mainly be reflected in their different responsibilities. The party will take charge of party affairs, and the government will administer government affairs. The focus of Comrade Zhao Ziyang's report at the congress is reform and opening up. It is rich in substance. After returning to Hainan, we will transmit the report to all cadres and people on the island, and will carefully study the report and implement the tasks it has set.

[Announcer] Xu Shijie also answered other questions from reporters.

Noted Economist Interviewed

HK280640 Beijing *GUANGMING RIBAO* in Chinese
20 Oct 87 p 1

[Special interviews with delegates to the 13th CPC National Congress—column by reporter Zhang Jilin (1728 06792651): "China's Road of Reform—An Interview With Noted Economist Liu Guoguang"—boldface passages as published]

[Text] Following 30 years' thinking, China at last held high the banner of reform and following 9 years' exploration, and China's socialism has embarked on an untrdden road. What kind of road is this? How does it look and what are the prospects? With these questions in mind, I interviewed Comrade Liu Guoguang, vice president of the Chinese Academy of Social Sciences.

Reporter: The reform carried out in the past 9 years has brought hope to the people. However, at the beginning of the reform, many people were surprised and puzzled: The reform in China seems to run counter to the socialist road. Some people even sighed and said: "We have worked hard for 30 years and found ourselves back to the time before the liberation overnight."

Liu Guoguang: The emergence of such doubts and worries is inevitable. For a long period, we were unable to grasp the basic relations of socialism in practice and had many ossified notions in our understanding of socialism.

Once we understood the basic characteristics of socialism, we were able to dispel the people's doubts, worries, and prejudice and firmly marched on along the road of reform.

Reform is a developing process. In the practice of reform, the basic outline of scientific socialism gradually becomes clearer and our understanding of socialism becomes deeper day by day.

—We have made clear the basic environment for reform in our country—the initial stage of socialism. Making this point clearly is of great importance to the development of reform and socialism. It is the standing point and the point of departure in building socialism with Chinese characteristics.

—We have established the theoretical prerequisite for reform—there is not just one target pattern. Because the level of the productive forces of various socialist countries at present is different, there should not be only one pattern of organization and operation of the socialist economy. We should proceed from the realities of the basic economic relations of respective countries, design target patterns suitable for the conditions of respective countries, and take our own road.

—We have deepened our understanding of the essential relations of socialism and have abandoned the ossified understanding of socialism. The expressions of such ossified understanding are the addition of what is not socialist to socialism and the labelling of what is not capitalist as capitalism.

Reporter: Traditional notions have all along confined our socialism to a fixed pattern and this pattern has rather big shortcomings in efficiency, making improvement, and development. It has resulted in the slow development of the socialist economy and has even caused people to have doubts on the superiority of socialism.

Liu: "Slow economic development is not a problem of the socialist system itself, but a problem of our not being able to find and establish a pattern for practice and an economic structure that are in keeping with the existing level of development of the productive forces.

Marx turned utopian socialist theories into scientific ones, whereas our practice in reform today is leading socialism from the kingdom of abstract theories to the rich and colorful man's world.

—The development of the ownership structure in our country has exceeded the patterns of state ownership and the collective ownership and the tendency of a pluralistic ownership structure has emerged. With the formation of a setup of common development of various economic forms and ways of operation with the public ownership as the dominant factor and with the practices of state administrative and managerial departments at various

levels in simplifying administration and delegating power to organizations at lower levels, causing changes in the status of enterprises and giving enterprises varying degrees of decisionmaking power in operation, the past structure of excessively concentrated policy-decision power begins to transit to a structure of making policy decisions at various levels.

—In the past, our market was left in a corner to be forgotten. At present, not only the means of production are found in the market, the variety of other essential goods in it is also increasing. With the strengthening of the role of market mechanism, the state economic management also begins to transit from direct administrative management to indirect economic management.

—Following the implementation of various forms of the responsibility system in enterprises and the gradual replacement of handing profits to the state by the system of paying taxes and the gradual reform of the wage and bonus system, the past egalitarian distribution system of eating out of the same pot also begins to change into a motive-force-interest structure that links income distribution with economic results and labor contribution.

—The policy of opening internally to other parts of the country has broken the limits between localities, trades, and departments and many enterprise groups, associations, and cooperation zones have emerged. The policy of opening to the outside world has enabled our country to become a part of the international work division system. Various economic levels consisting of special economic zones, coastal cities, open areas, and the hinterland are gradually formed.

—With the reform carried out in the past 9 years, substantial changes have taken place in the economic structure of our country. However, our reform is still in the stage of an initial battle. The new economic mechanism has not been completely set up. The old economic structure still plays its role on the arena. Many problems have cropped up in the practice of reform and further efforts are needed to solve these problems.

Reporter: Before the liberation, China was a large backward country. Although there were many reformists in China's modern history, they were unable to cast off the label of a large backward country on China. At present, our reform has entered a stage in which the old structure rubs against the new one and there are complicated contradictions. What do you think of the prospects?

Liu: The only way to solve this problems is reform.

The inertia of history has pushed China on to the road of reform. We have no alternative. Our only hope lies in reform.

—There are two ways for shifting from the old structure to the new one. One is a package change and the other is a progressive change. Our country is a country with a

relatively low level of development of the productive forces and with dual economic structures. Moreover, it has a vast territory and a large population, its economic development is extremely uneven, and it has a serious shortage of managerial personnel and lacks experience in management. We cannot carry out reform all in one package. We can only take the road of progressive change. In doing so, the problem of "traffic confusion" is bound to emerge. Some drive on the left-hand side of the road, while others on the right-hand side. The new and the old structures co-exist. This will inevitably give rise to many complicated problems in our economic operation.

—There are two ways to solve these problems. One is to go backward and return to the former structure. This is not a way out. Without reforming the old economic structure, China's economy will not be able to take off. The other is to reform. This is the only and fundamental way out. Only by carrying the reform through to the end, turning the dual structures into one single structure, and placing the new structure in a dominant position in the social economy and giving play to its role can the contradictions in our country's economic operation be resolved and social progress be made. Therefore, deepening and accelerating the reform is the central issue to be discussed in the 13th CPC National Congress. This means that we should not only deepen the on-going reform in the economic field but also open up new fields of reform. We should also carry out reform of the political structure to promote the development of socialism.

Foreign Policy Objectives Noted
OW280747 Beijing XINHUA in English 0654 GMT
28 Oct 87

[Text] Beijing, October 28 (XINHUA)—With the implementation of the guideline of the 13th National Congress of the Chinese Communist Party, China will step up its activities in foreign affairs.

This was stated by Ji Pengfei here today at a panel discussion at the current National Party Congress. He is a Standing Committee member of the Central Advisory Commission and state councillor.

He said that Zhao Ziyang's analysis of the international situation and his explanation of China's foreign policy will guide the whole party and the people of the whole country in foreign affairs.

Ji was a longtime diplomat and served as the foreign minister for period. He is now director of the State Council Office for Hong Kong and Macao Affairs. He joined ministers, vice-ministers and diplomats in a panel discussion of Zhao's work report.

He noted that China has since 1978 made some readjustments in its foreign policy and enriched and perfected this policy of peace and independence under the guidance of Deng Xiaoping and in the light of latest international developments and China's needs in its socialist modernization.

In the past nine years, China has scored notable achievements in its external affairs under the guidance of the foreign policy and open policy. The basic principle underlining China's foreign affairs is to oppose hegemonism and safeguard world peace. It develops normal relations with other countries in the world under the five principles of peaceful coexistence. It does not align itself or establish strategic ties with any big power, and decides its attitude and policies on the merits of a given issue, he said.

He said that China stands for solving international disputes through peaceful negotiations. It opposes the use of force or threat of force, and opposes all arms races. "We persist in the open policy and wish to consolidate and develop friendly relations of cooperation as well as economic, trade and technological links with the overwhelming majority of the countries and regions in the world on the basis of equality and mutual benefit," he stated.

He noted that China's foreign policy of peace and independence has won for China an international environment beneficial to its socialist modernization.

He said that the 13th Party Congress has set more arduous tasks for reform, opening to the outside world and the modernization drive and that required the whole party and the people of the whole country to do a still better job in the country's external affairs so as to help create an even better international environment for the fulfillment of domestic tasks. He held that much remains to be improved in China's external affairs.

With the advance of the reform and the open policy, different departments and localities have started to develop external relations, and the central authorities worked out relevant regulations accordingly. This is conducive to China's modernization effort, he observed.

He called for efforts to prevent some departments and localities from violating policy requirements and discipline and acting in their own interests at the expense of that of the whole.

In the process of opening to the outside world, the number of delegations and personnel sent abroad has been constantly on the increase and that they have played a positive role in introducing advanced managerial experience and technology as well as foreign capital, and have done many things beneficial to the country and the people. Over the past years, the effort has become more and more organized, and relevant regulations have been worked out, he said.

However, he said, the problem is that there are too many delegations and personnel visiting abroad. It is abnormal at a time when China's foreign currency reserve is very limited and the government is trying to cut the administrative expenditure, he pointed out. He urged that after the party congress, the problem will be given due attention.

Paper Interviews Delegates
HK281036 Beijing *RENMIN RIBAO* in Chinese
27 Oct 87 p 1

[Article by reporter Zhang Yan (1728 4291): "Shining Theories—Sidelights on the 13th CPC National Congress"]

[Text] In the past 2 days, this reporter interviewed some delegates to the 13th CPC National Congress. Both at group meetings and during private talks, the hottest topic for discussion among the delegates is what Comrade Zhao Ziyang announced categorically at the 13th CPC National Congress: China is now in the initial stage of socialism.

Many of the delegates to the 13th CPC National Congress have been active participants in socialist construction over the past more than 30 years since the founding of the state. They are eyewitnesses to history. Having summed up both positive and negative experiences, many delegates deeply feel that it is really a question of first importance to gain a correct understanding of the question of the historical stage of Chinese society.

Li Ziqi, a delegate from Gansu Province, said: The theory of the initial stage of socialism is the latest development of scientific socialism in China, the most scientific summary of China's national situation, the most vivid expression of our party's ideological line of seeking truth from facts, the most systematic summation of the historical experiences and lessons since the founding of the state, and the highest concentration of the wisdom of the whole party. This is not merely a question of theory; it is also of great practical significance.

At a group meeting of delegates from Hebei Province, Xushui County, which announced that to "run into the period of communism" in those years, was still fresh in people's memory. Qiao Shizhong, secretary of the Baoding Prefectural CPC Committee, told the reporter that in those years, the per mu grain output of Xushui County was more than 200 jin and the total industrial and agricultural output value was less than 40 million yuan. It had a population of 320,000. Thus, the per capita output value was just about 130 yuan. Despite the fact that the problem of food and clothing had still not been solved and there was a serious shortage of materials, it was thought that the county would enter the socialist stage by 1959 and enter the stage of communism by 1963. A unitary system of ownership by the whole people was implemented in the county, and industry and commerce were abolished. Even houses, domestic animals,

and other family property were "turned in to the state." In distribution, egalitarianism was practiced and the supply system was implemented. It was announced that the wages for workers and cadres and the work points for peasants were abolished. In production, militarization of organization and martialization of action were advocated and "large-scale cooperation without remuneration" was carried out. Qiao Shizhong said: We can see clearly now that all those views and practices had gone beyond the development of productive forces and could only be punished by history.

The more than 1,900 delegates responded strongly to the theory on the initial stage of socialism. This is not only because they have intimate knowledge about it, but also because they have seen the achievements that have been made under the guidance of this line over the past 9 years in the modernization drive and in reform and opening up. After listing a number of vivid facts about the increase in the city's GNP, total industrial and agricultural output value, revenue, and the income of both urban and rural people, Wu Shouquan, secretary of the Jiaozuo City CPC Committee and delegate from Henan Province, said that the theory on the initial stage of socialism has been summed up on the basis of our practice over the past 9 years and is an outcome of combining Marxism-Leninism with China's reality by the CPC Central Committee, especially by Comrade Deng Xiaoping. It has great vitality.

Many delegates pointed out in their speeches that the theory on the initial stage of socialism, expounded by the 13th CPC Central Committee, symbolizes a great deepening and leap in the theoretical understanding of our party, showing that our party has become more mature in political affairs. Li Zemin, deputy secretary of the Liaoning Provincial CPC Committee and secretary of the Shenyang City CPC Committee, held that the theory on the initial stage of socialism is an important breakthrough in the history of the socialist movement. While affirming that the socialist system has already been established in China and that it is necessary to uphold socialism and oppose retrogression—for there is no way out if we regress—it also fully points out affirmatively that the socialist system at the current stage is still imperfect and is not up to standard. Socialism should be further developed, and reform should be carried out without interruption. It has thus drawn a demarcation line between itself and the rigid and stagnant "leftist" viewpoint. With the lapse of time, practice will further prove the correctness of the theory on the initial stage of socialism.

More than 100 years ago Marx said: Once theory is grasped by the masses, it will become a material force. After hearing the group discussions at the 13th CPC National Congress, we can also say: Once the radiation of the theory on the initial stage of socialism lights the vast land of China, it will surely become a powerful motive force pushing forward the development of social productive forces.

Non-Communists Discuss Report
OW271814 Beijing XINHUA in English 1439 GMT
27 Oct 87

[Text] Beijing, October 27 (XINHUA)—Prominent non-communist figures in China gathered here this morning and yesterday afternoon to discuss the Work Report of Zhao Ziyang, acting general secretary of the Chinese Communist Party, to the CPC Congress.

Present at the discussions were those non-communists among the vice-chairmen of the National People's Congress Standing Committee and the Chinese People's Political Consultative Conference National Committee. Other participants were leaders of the non-communist parties, popularly called "democratic parties" in China, the All-China Federation of Industry and Commerce, personages without party affiliation as well as prominent representatives of ethnic minority people and religious people. They all attended the opening session of the CPC Congress as guests and heard Zhao's report.

Speaking at the discussion, Banqen Erdini Qoigyi Gyan-can, vice-chairman of the NPC Standing Committee, said that China's achievements in the reform and opening to the outside have caught the attention worldwide. He said that the report incorporated many suggestions of those people outside the Communist Party who had been invited to discuss the drafts. This fact itself was a manifestation of socialist democracy.

Zhu Zufan, vice-chairman of the Revolutionary Committee of the Chinese Kuomintang, said that the report reaffirmed the Communist Party's policy of long-term coexistence and mutual supervision for handling multi-party relations in China.

Zhou Peiyuan, vice-chairman of the Jiusan Society and a noted scientist, believed that Zhao had hit the heart of the matter when he said in the report that the development of education and science should enjoy priority as far as China's economic development strategy was concerned.

Zhao Puchu, vice-chairman of the China Association for Promoting Democracy, stated that the report was also attributable to the Communist Party's effort to consult with democratic parties. It called for institutionalizing such consultations as one of the major measures to promote democracy in China.

Fang Rongxin, vice-chairman of the Chinese Peasants and Workers Party, said that Zhao's report explained on a theoretical plane that China was in a primary stage of socialism. This issue had remained unanswered for many years, we said.

Xu Dixin, vice-chairman of the China Democratic National Construction Association and a leading economist, described the report as a negation of the erroneous notions that had been in currency for two decades, such as advocating egalitarianism and equating well-being with revisionism.

Ding Guangxun, president of the Christian Council of China, said that he was most impressed by such elements in the report as the separation of party and government functions, establishment of a consultation and dialogue system and strengthening of ideological work.

Su Ziheng and Li Chunqing, chairman and vice-chairman of the Taiwan Democratic Self-Government League, said that the report would help remove misgivings of Taiwan compatriots and Overseas Chinese about the Chinese Communist Party's policy concerning the reunification of China.

Workers Support Reform
OW271041 Beijing XINHUA in English 0851 GMT
27 Oct 87

[Text] Beijing, October 27 (XINHUA)—China's working class is a firm supporter of reform, open policy, socialism and Communist Party leadership, a workers' leader said here today.

China has 130 million workers who are the main force in expanding the productive forces, said Ni Zhifu, a delegate to the ongoing party congress and president of the All-China Federation of Trade Unions.

Ni called on the workers, technicians, managerial personnel and other employees to shoulder the dual task of pushing on the traditional industrial revolution and facing the new worldwide technological revolution.

The experience in the past few years has shown to the workers that building socialism with Chinese characteristics depends on reform and opening to the outside world, Ni said.

"Reform is a motive force to push on work in every field," Ni said. To achieve the goals set at the party congress, he said, the working class will, displaying its creativeness and enthusiasm, play an active role in reforms in the economic, political, scientific, and educational fields.

The working class is also the main force in building China's socialist democracy, Ni said. Its will and demands are expressed through its vanguard — the Communist Party, the people's congresses at all levels, trade unions, and other channels.

He predicted that as the reform of the political structure is carried out, the working class will play a more direct and specific role in the management of state and social affairs.

Ni described the trade unions — mass organizations under the party leadership — as a bridge linking the party and government with the working class. He said that the trade unions should get rid of their bureaucratic air and guard against the tendency of making themselves administrative organizations.

On the basis of maintaining harmonious relations with the party and government organizations, the trade unions should carry out their work independently in light of their own characteristics. If this is done, Ni said, the trade unions can better express and defend the specific interests of the workers they represent.

Delegates Support Restructuring

OW272359 Beijing XINHUA Domestic Service
in Chinese 1631 GMT 27 Oct 87

[Excerpts] Beijing, 27 Oct (XINHUA)—The inclusion of political structural reform in the agenda of the 13th National Party Congress and the various measures proposed for this reform have greatly widened the delegates' field of vision. With dynamic thinking, they have vied to expound their views when conducting panel discussions on Zhao Ziyang's Work Report, and when interviewed by journalists. The consensus of opinion is that the time is certainly ripe for political restructuring, and that reform of the present political structure must be followed in order to build a socialist democratic political system with Chinese characteristics.

Separating the Functions of Party From Those of Government Is the Key Requirement in Reforming the Political Structure (subhead)

Delegate Mao Zhiyong, who is secretary of the Hunan provincial party committee, said that the change from making no distinction between party and government functions to separating them is a major reform of our party's leading system, and an historical change of profound and far-reaching significance. In his opinion, we should do three things to cope with this historical change. First, we should change our mindset and clearly understand that the party's leadership is a political one. Second, we should improve the method of leadership and concentrate on major issues concerning principles and policies, and on party construction. Third, we should establish, and perfect, specific rules and systems conducive to the separation of party and government functions, to gradually institutionalize the relationship between the party committee and the organ of political power at the same level. [passage omitted]

Separation of Party and Government Functions Increases Benefits (subhead)

In the course of discussions, the delegates have cited many vivid facts to show the fresh vitality of various undertakings, due to the organizational reform being carried out in some localities aimed at separating the functions of party and government. [passage omitted]

Weifang City, Shandong Province, is one of the experimental cities for organizational reform. In September last year, this city abolished those departments in its party committee overlapping certain government departments, and streamlined both party and government personnel. This proved to be a fruitful attempt at reform of the political structure. Delegate Wang Shufang, who is secretary of the Weifang City party committee, said: After reform, the total number of personnel in party and government organs in our city is 40.2 percent less than before, but our work in all areas is well done. the beneficial effects of the city's economic work have increased 27.4 percent compared with the corresponding period last year. Facts have proved that fewer people can do successful work. [passage omitted]

Suggest Ways and Means, With a Determination To Successfully Reform the Political Structure (subhead)

As to how to deepen political structural reform in the future, a number of good suggestions and measures have been proposed by the delegates. [passage omitted]

Delegate Wan Shaofen, who is secretary of the Jiangxi provincial party committee, said that reform of the political structure is a great systematic, but complicated, project, which should be carried out in an orderly way under proper guidance. basic work should be done, and the steps taken should be reliable, she added. Another delegate, Guan Guangfu, who is secretary of the Hubei provincial party committee, expressed the opinion that stress should be put on three tasks following the separation of party and government functions: Training cadres to raise their quality level, stressing not only the separation of party and government functions, but also mutual support and coordination between party and government, and make further efforts to solve the question of separating the functions of government and enterprises, and dividing duties and responsibilities between higher and lower level. [passage omitted]

It is imperative to make resolute policy decisions, react quickly, put stress on efficiency, and pay attention to rendering service. This was voiced by delegate Wang Jianshuang, who is secretary of the party committee of Xiamen City, one of the special economic zones. Wang Jianshuang said: Regarding political structural reform, Zhao Ziyang has pointed out: "Reform in special economic zones may be more flexible." This means that the central authorities have put even higher demands on us, and delegated more power. In light of Xiamen's characteristic conditions, we should streamline the organization of our party committee in the days to come. Meanwhile, the government setup should be reduced, while economic entities should be expanded and reinforced.

Shanghai Group on Zhao's Report

OW272049 Shanghai City Service in Mandarin
2300 GMT 25 Oct 87

[Excerpts] Shanghai delegates attending the 13th CPC National Congress had a lively discussion about Comrade Zhao Ziyang's report on the afternoon of 25 October.

They generally hold: Comrade Zhao Ziyang's report has comprehensive and profound contents. It has pointed out, in both theory and practice, a correct orientation for building socialism in China. It has also drawn the blueprints for the reforms of our economic and political structures.

They said: Since the 3d Plenary Session of the 11th CPC Central Committee, the party has made correct policy decisions on major issues, forcefully promoting reforms and opening to the outside world and greatly improving the situation of our country. It is a period in which our economic growth has been the fastest and the people have enjoyed the most benefits. [passage omitted] Comrades Qiao Shi, Chen Pixian, and Hao Jianxiu attended the discussion of the Shanghai delegation.

Qiao Shi at Shanghai Delegation Discussion
OW280857 Beijing XINHUA in English 0638 GMT
28 Oct 87

[Text] Beijing, October 28 (XINHUA)—At a panel discussion of the Shanghai delegation to the 13th National Party Congress, Qiao Shi, member of the Political Bureau of the 12th CPC Central Committee, said that Shanghai's economy should gradually shift from the old rut of operating by mandatory plans to the orbit of socialist planned commodity economy. That would require a drastic change in both ideology and practice if the city, China's biggest industrial center, is to revitalize its economy.

Qiao spoke in the capacity of a delegate to the party congress from Shanghai.

The 73 delegates from this metropolis sat in two groups for discussion on the Work Report of Acting Party General Secretary Zhao Ziyang delivered to the party congress.

Jiang Zemin, deputy leader of the Shanghai Delegation and mayor of Shanghai, agreed with Qiao. "That's the only way out for Shanghai," he said.

Mayor Jiang told other delegates that he had heard about dissatisfaction over the not-lively-enough economy of Shanghai in recent years but it somewhat improved in the past year.

"Let's do away with that bad name: People from Shanghai have too much business acumen but not enough wisdom," Mayor Jiang rose to his feet and spoke in the Shanghai dialect.

However, delegate Li Qunrui, president of the Shanghai branch of the Bank of Communications, held a different opinion.

He said that over a long period of time Shanghai's economy had flourished by relying on mandatory plans. "Now that we are asked to switch over to a commodity

economy, every reform measure may be a blow to our city's economy," he said. He believed that Shanghai's economy could not succeed before the economic structural reform succeeded throughout the country.

No sooner had Li finished than many other delegates spoke at the same time against his idea.

Jiang Zemin pointed out that with the development of a planned socialist commodity economy, Shanghai industry could no longer expect to get cheap raw material from other parts of the country as had been the case under the old-day mandatory plan for material supplies.

Jiang said that as the socialist commodity economy required, the supplier and buyer of materials should seek mutual benefit and take a long view in doing business. "This is precisely what I often tell potential foreign investors," he added.

The 60-year-old mayor, a native of northern Jiangsu Province, spoke Shanghai dialect and standard Chinese alternately when he took floor, which also enlivened the discussion.

Bao Youde, another delegate and chief of the city government's finance bureau, pointed out: "I am afraid the days are gone when Shanghai industry could thrive on cheap raw material supplies under former mandatory plans."

"That's why we must change our old concept and cast away our old practice," interrupted Wang Daohan, former Shanghai mayor and also a party delegate.

Qiao Shi proposed in the capacity of a member of the Shanghai delegation that Shanghai should carefully study the resolutions of the 13th Party Congress and work out a positive plan to revitalize its economy.

He hoped that the city would continue to make as big contributions to the country's economy as it had done in the past.

Other speakers at the group discussions among the Shanghai delegates included famous film actress Zhang Ruifang and educationalist Chen Tiedi.

Zhang Ruifang, who is also vice-chairwoman of the Shanghai Peoples Political Consultative Conference, said that she had called two meetings to solicit suggestions before she came to attend the party congress. "Speakers at those meetings asked me to convey their demand for legislation on literary and art work so that normal production of films would be protected by law and film production would flourish," added Zhang.

Chen Tiedi, party secretary in charge of education, said: "The Work Report is the fruit of collective wisdom. I have taken part in reviewing the first draft and I have found that many suggestions raised by Shanghai delegates have been absorbed into the final version."

She expressed her satisfaction with the attention given to education in the work report. "The report has given me a very strong sense of responsibility to do my work well," she stressed.

As a task of strategic importance, Chen pointed out, education should deserve measures of strategic importance to ensure its successful development, including sufficient government allocation and a powerful contingent of well-qualified teachers.

She said that allocation for education accounted for only 3.3 percent of GNP in 1985. That could not be considered to have treated education as a task of strategic importance, she pointed out. The developed countries paid due attention to education even when they were still underdeveloped.

She proposed that respect for knowledge, talents and teachers should be better cultivated in society.

Chen talked directly to finance bureau chief Bao Youde sitting opposite her, saying: "The government should allocate more funds for education."

According to the party secretary in charge of education, the city's actual spending on secondary education averaged 133 yuan per student in 1980 and that figure rose to 324 yuan in 1985, and that for primary education rose from 84 to 174 yuan per student in the same period. "However, government allocation for education has not increased much in the same period," she stressed.

The finance department chief kept nodding while listening to Chen. "Let's try to obtain funds from reform," director Bao told Chen.

Bao compared the public coffer to a cake. He said: "The cake is small and everybody wants to have a bigger share. The way out is to have a bigger cake and that can be possible when the economy is revitalized through structural reform."

Bao's speech was interrupted more than 20 times by others, including Hao Jianxiu, member of the Secretariat of the CPC Central Committee who was also present at the discussion.

Hunan Leader Hails Report
HK280107 Changsha Hunan Provincial Service
in Mandarin 0100 GMT 27 Oct 87

[Excerpts] According to *Xinhua*, the Hunan delegation to the 13th CPC Congress held lively panel discussions in the afternoon of 25 October on Comrade Zhao Ziyang's

report entitled "Advance Along the Road of Building Socialism With Chinese Characteristics." Provincial CPC Committee Secretary Mao Zhiyong spoke on the profound changes that have taken place in the province since the 3d Plenary Session of the 11th CPC Central Committee. [passage omitted]

Mao Zhiyong said: Comrade Zhao Ziyang's report has implemented Comrade Xiaoping's consistent thinking and is brimming with the spirit of seeking truth from facts and of blazing new trails. It embodies the close integration of the basic tenets of Marxism with the reality of modernization in China, and has answered a whole series of theoretical and practical problems of common concern to the whole party and the people of the whole country. The entire report takes a clear-cut stand on building socialism with Chinese characteristics. [passage omitted]

I fully support Comrade Ziyang's report. We must seriously study, profoundly appreciate, and resolutely implement such a programmatic document which is of major significance and far-reaching influence. [passage omitted]

He said: The past 9 years have been the period of the fastest and steadiest economic development in Hunan. During this period the province has more than doubled its gross social output value, industrial and agricultural output value, and national income, with average growth rates exceeding those of the previous 26 years. The rises have also been sustained and steady. [passage omitted]

Mao Zhiyong said: The achievements and practice of the past 9 years fully prove that the line since the 3d Plenary Session of the 11th CPC Central Committee is indeed a correct Marxist line and a line guiding us to advance victoriously along the road of building socialism with Chinese characteristics.

Shaanxi Leader Views Theory
HK280131 Xian Shaanxi Provincial Service
in Mandarin 0030 GMT 28 Oct 87

[Text] According to XINHUA, since the afternoon of 25 October the delegates to the 13th National CPC Congress have been holding panel discussions on Comrade Zhao Ziyang's report.

Shaanxi Provincial CPC Committee Secretary Zhang Boxing said: The concept of the initial stage of socialism has emerged several times since the 6th Plenary Session of the 11th CPC Central Committee, however, this was only in connection with problems that arose at different times, and it by no means became a systematic theory. For the first time, the 13th Party Congress has given an all-round and systematic exposition on the nature, characteristics, and tasks of the initial stage of socialism, and this has become the basis for uniting the thinking of the whole party and the people of the whole country and for speeding up and deepening reform.

With this theoretical support, China's economic and political structural reforms are bound to forge ahead at still greater speed.

Tianjin Mayor on Democracy

*OW281210 Beijing XINHUA in English 0915 GMT
28 Oct 87*

[Text] Beijing, October 28 (XINHUA)—Li Ruihuan, party secretary and mayor of Tianjin City, said that at present it is vital to give due emphasis to political democracy, consultation and dialogue.

Li who is a delegate to the 13th Party Congress made the statement in a panel discussion on the Work Report given by Zhao Ziyang at the congress.

"This is because the people are the main force in carrying out the reform, and success of the reform hinges on the popular will," Li Ruihuan stressed.

Li pointed out that the part of Zhao Ziyang's report regarding the institution of rules for democratic politics and consultation and dialogue was a summary of the mass line the Chinese Communist Party had persevered in for decades.

He believed that on the whole in recent years leading cadres had been on good terms with the masses, "but we cannot say there is no problem at all," he added.

Li who was a carpenter in the 1950s pointed out that sometimes cadres in recent [as received] paid much attention to economic benefits to the people to the neglect of ideological education. That tended to give rise to problems, or complaints.

"Leading cadres have the duty to study those complaints and investigate into them, and try our best to solve such complaints so as to create an atmosphere of unity and ease of mind," Li added.

"One important channel for smoothing out complaints is through democratic consultation and dialogue," Mayor Li said. "We should keep the people informed of important matters and discuss with them to seek solution of difficult issues," he continued.

The mayor of Tianjin, known for his quick decision and efficiency, said: "If people have praised the work of the Tianjin Municipal Government in recent years, it is because the municipal government has made it clear that the people are supreme and that the people must come first."

He listed the ways the Tianjin Municipal Government has taken to place itself under the supervision of the Tianjin residents such as conducting polls of opinions among the residents, organizing workers' representatives and members of the local people's political consultative

conference on inspection tours, making government officials listen to comments and proposals from workers' representatives face to face, arranging for the mayor and vice mayors to solve problems on spot and letting the mayor and other leading municipal officials talk to the residents on television.

Mayor Li concluded his speech by saying: "The people deserve the highest respect because they create all social value; the people are dear because it is they who shoulder all the difficulties and hardships; the people are to be feared because whoever infuriates them are bound to topple."

Shanxi Leaders Discuss Report

*HK281014 Taiyuan Shanxi Provincial Service
in Mandarin 2300 GMT 25 Oct 87*

[Text] At 1430 yesterday, Comrade Li Ligong, leader of the group of Shanxi delegates to the 13th National Party Congress, presided over a meeting of Shanxi delegates to conduct a lively discussion on Comrade Zhao Ziyang's Work Report to the opening ceremony of the 13th National Party Congress.

The first speaker at the meeting was (Li Lingbao), secretary of the Jinzhong prefectural party committee. In close connection with his own practice, (Li Lingbao) discussed his understanding of the initial stage of socialism in China and of the importance of further lowering the average age of the cadre ranks. He said: We must transfer the heavy burdens of work to those capable and creative young cadres possessing mastery of Marxist theory.

(Li Zhenhua), secretary of the Yanbei prefectural party committee, said: After listening to Comrade Zhao Ziyang's report, I can see things more clearly. In addition to putting forward the guiding principles and tasks for deepening and speeding up reform, the report also systematically and penetratingly expounds the view that China is currently in the initial stage of socialism. This is of great and profound significance. This not only will enable comrades throughout the party to achieve clearer understanding of the national conditions, but will also strengthen our consciousness of implementing the party's basic line for the initial stage of socialism.

In his speech at the meeting, Zhang Jianmin, vice chairman of the provincial People's Congress Standing Committee, said: The report delivered by Comrade Zhao Ziyang on behalf of the party Central Committee embodies from beginning to end the spirit of reform, sums up China's great achievements in reform over the past 9 years, and expounds on the theoretical plane China's successful experiences in reform as well as the lessons that China should draw. This report is of great (?benefit) to us.

Ruan Bosheng, chairman of the provincial People's Congress Standing Committee, said: To build socialism with Chinese characteristics, we must develop productive forces. We took roundabout courses for several dozen years, with the development of productive forces suffering setbacks. This problem has been solved through implementation of the policy on reform and opening up adopted since the 3d Plenary Session of the 11th CPC Central Committee. We must further speed up the reform and modernization program in our country.

Referring to agricultural issues, Song Renqiong, vice chairman of the Central Advisory Commission of the CPC Central Committee and participant in the discussion meeting of Shanxi delegates, said: To modernize China, the grain issue should be regarded as very important. Although we have scored great achievements in promoting rural reform, we must continue making great efforts to solve many problems, including the problems regarding farmland and water conservancy construction, mechanization of agriculture, and scientific farming. To solve these problems, all areas must act in the light of their own local conditions to find suitable ways and must not indiscriminately copy those of others. This means that we must further deepen our rural reform.

It was a lively discussion. Li Ligong, Wang Senhao, Wang Maolin, (Wu Gongqing), and other delegates also addressed the meeting to discuss freely their understanding of the report and put forward their own suggestions.

Deng Yingchao on Panel

OW281343 Beijing XINHUA in English 1131 GMT
28 Oct 87

[Text] Beijing, October 28 (XINHUA)—Madame Deng Yingchao, widow of the late Premier Zhou Enlai, today joined delegates from Henan Province to the ongoing 13th National Congress of the Chinese Communist Party in a panel discussion on Acting General Secretary Zhao Ziyang's work report delivered Sunday.

Henan is the 83-year-old Deng's native place. She asked the delegates to follow the guidelines of the congress and persist in reform and opening to the outside world.

"I hope you will do a successful job in boosting industrial and agricultural production and the tertiary industry in our province," she said.

Reading over the namelist of the delegates, Madame Deng said she was glad to see so many young people.

"This indicates that our revolutionary cause has a bright future," she said.

She continued that after the current congress, there would be more young cadres in the central leading bodies.

At the end of discussion, Madame Deng had pictures taken together with the delegates.

Comparison of Second Zhu Muzhi News Conference

Beijing Television Service in Mandarin at 0436 GMT on 26 October carries a video recording of the second press conference held by Zhu Muzhi, spokesman for the 13th CPC National Congress, at 0200 GMT on 26 October at the Great Hall of the People. A comparison of the audio portion of the 1 hour and 16 minute television version with the 1 hour and 43 minute Beijing Domestic Service Mandarin version, broadcast at 0300 GMT on 26 October and published in the 26 October *China Daily Report Supplement*, pages 35-41, reveals the following variations:

Page 36, third full paragraph, final two sentences from ...We can have the final... to ...you a more recent figure... are deleted in the television version.

Same page, seventh full paragraph, only sentence in television version reads: ...some of their attitudes toward reform, particularly... (clarifying queried word)

Page 37, entire fifth full paragraph from ...As for the question concerning... to ...limit for a private enterprise... is deleted and a new paragraph is inserted in the television version. The new paragraph reads: [Interpreter] We still have to wait to see what the exact limit will be on the number of workers one can hire. Maybe the limit of eight or less can be the limit for an individual economic household and the limit of eight or more will be the limit for a private enterprise.

Same page, sixth full paragraph, first sentence of the television version reads: [Gao] As for the share-holding system,... inserting editorial notation indicating that Gao is speaking.

Page 38, fourth full paragraph, sentences ten through thirteen from ...I would also like to ask... to ...Commission on Economic Structural Reform?... are deleted in the television version.

Page 39, entire second full paragraph from ...[Gao] I would like to answer... to ...out the economic structural reform... is deleted in the television version.

Same page, third full paragraph, first sentence in the television version reads: [Gao] Whether or not it will... inserting editorial notation indicating that Gao is speaking.

Same page, same paragraph, final three sentences from ...There are eight bureaus and... to page 40, full paragraph four, end of final sentence ...we will carry out experiments... is deleted in the television version.

Page 40, fifth full paragraph, second sentence from ...Yesterday in his political report,... to ...been written into the history... is deleted in the television version.

Same page, same paragraph, sentence four of the television version reads: ...I would like to ask a... deleting the word 'also'.

Same page, entire sixth full paragraph from ...[Du] I am still studying... to ...in carrying out our reform... is deleted in the television version.

Tian Jiyun Cites Successes in Rural Reforms
OW261659 Beijing XINHUA in English 1125 GMT
26 Oct 87

[Text] Beijing, October 26 (XINHUA)—Vice Premier Tian Jiyun said today that China's rural economic reforms have already been crowned with considerable success, deeply transforming the face of rural life.

Tian added, however, that the reforms have not yet realized the objectives China had expected, so the country must continue to adopt the general policy of deepening the reforms, opening to the outside world, and gradually seeking out a path of socialist rural development with Chinese characteristics.

To realize this goal he stressed that China must not only sum up its own experience, but also refer to and incorporate the experiences from around the world that are suitable to China's specific conditions.

Tian made these remarks at an international symposium on rural development strategies which opened here this morning. About 100 foreign and Chinese economic experts attended this workshop, which will last until October 29.

The vice premier reviewed China's rural economic reforms over the past 9 years. During this period, he said, China has:

—Reformed the structure of the people's communes and widely promoted the contract responsibility system based on household management;

—Made proper adjustments to deal with the transfer of labor from agricultural to non-farm jobs due to the increase in and diversification of rural enterprises and industry;

—Reformed the marketing system and state-enforced unified procurement arrangements for agricultural products;

—Gradually liberalized the means of production; and

—Brought about the development of a socialist planned market economy.

The vice premier said the rural development strategy of a given country must be determined by its own particular conditions, but the mutual exchange of experiences, and drawing lessons from other countries, is both necessary and beneficial.

Rural development occupies a crucial position, overall, in China's economic picture, and has been drawing increasing concern and attention as well from world economists, Tian Jiyun said, adding that its importance in terms of research, and heightened academic deliberation, must be stressed. "This symposium will have an extremely positive impact on not only rural development research but rural development itself," he said.

With more than one billion people, 80 percent of whom are rural, the vice premier said, knowledge of rural conditions and development strategies is of crucial importance to the development of China's entire national economy and society.

He added that China finds itself in the primary stage of socialism characterized by as yet undeveloped levels of productivity. Compared with other countries, the current situation in rural China is typical on the one hand, and special on the other.

China has been actively carrying out a series of experiments to perfect rural development strategies, which at present are in great demand, Tian said.

Sponsored by the International Association of Agricultural Economists, the China Agriculture Studies Association and the China Association of Agricultural Economists, the symposium will present 50 papers. More than a dozen countries have representatives in attendance.

Commentator Discusses Art, Literature
HK281218 Beijing JIEFANGJUN BAO in Chinese
5 Oct 87 p 1

[Commentator's article: "Plunge Into the Tide of the Times, Create Exquisite Arts—Greeting the End of the Fifth All-Army Theatrical Festival"]

[Text] The 2 month long all-Army theatrical festival has ended. We warmly congratulate the complete success of all performances of this festival.

The Fifth All-Army Theatrical Festival, which opened in celebration of the 50th anniversary of the founding of the PLA, was an all-round review of the art achievements of the Army in the past 10 years. Since the Fourth All-Army Theatrical Festival in 1977, and especially since the 3d Plenary Session of the 11th CPC Central Committee, under the care and leadership of the party Central Committee and the Central Military Commission, the art and literature work in the Army has always adhered to the orientation of serving the soldiers, the people, and the socialist cause. It followed the principles of allowing a hundred flowers to blossom, weeding through the old

to bring forth the new, making the past serve the present, and making foreign things serve China. Great progress has been made in the course of involvement in and promotion of the Army's modernization, revolutionalization, and regularization. A vivid and vigorous situation has come into being. Many outstanding talented playwrights, directors, actors, and actresses participated in the theatrical festival; many of them emerged in the new historical period. This art contingent has continuously been raising its political quality and art attainments. It is playing a major role, which cannot be neglected or replaced, in building the Army. They went deeply to grass-roots Army units. They visited border and coastal garrisons, outposts, and battlefronts. They gave performances for the soldiers there to inspire their morale and to enliven the cultural life of the grass-roots cadres and soldiers. They gave expression to the fervent struggle of our forces, and conveyed the lofty ideals and broad vision of our commanders and soldiers. They also gave publicity to the spirit of patriotism and revolutionary heroism. Many of the festival performances were ideologically positive and healthy. Many also were colorful. They gave expression to the great changes in the conditions of the forces from various angles since Comrade Deng Xiaoping took charge of the Central Military Commission. They reflected the new look and heroic image of the People's Army in the new historical period. The new look is reflected in aspects ranging from self-defense border battles, military training, and Army reorganization, to training of dual-purpose talented personnel, building of civilization with civilian communities, participation in key construction projects, and performance of routine garrison and production duties.

Under the guidance of the party's line since the Third Plenary Session, the Chinese people are making successful advances in the building of socialism with Chinese characteristics. Great changes have occurred in our country and in our Army because we adhere to the four cardinal principles and carry out the general principles of reform, opening up, and economic invigoration. This has also provided more favorable conditions for the art troupes to develop art creations. It has provided extremely rich and vivid source materials for Army art and literature workers. The Army literature and art workers have responded rapidly to the call of the great times. They have shown great enthusiasm in expressing reform. Their efforts should be fully affirmed and praised. Some of the theatrical festival's plays depicted positively the changes in people's lives and ideas brought about by the economic structural reform and by Army reforms. They gave expression to the major achievements in all parts of the Army's work since the strategic change of our Army's general guideline. These works warmly eulogized reform. They did not avoid the difficulties and contradictions in reform. They showed a rather strong sense of reality and a certain sense of history. Of course, there remains a certain gap between the quality of these works and the requirements posed by the times, the life, the people, and the party. Our writers

and artists have yet to further deepen their understanding of reform. There is a wide scope for writers and artists to create works that reflect people's lives in reform. The 13th Party Congress will soon be convened; its theme is to deepen the reforms. While facing this new situation, Army literature and art workers should more actively plunge into people's strenuous lives. They should observe and learn from the lives of our commanders and soldiers to enhance their political consciousness and art techniques. Only thus can their works give expression to the creativity and dedication of the people in our country and to the splendid achievements and bright prospects of our socialist cause; eulogize our great party, Army, and motherland; add impetus to the historical trend of reform; help the Army implement the spirit of the enlarged meeting of the Central Military Commission and strengthen the ideological and political work among the forces in the new period; and bring their positive role into full play.

The Army literature and art workers have a fine tradition. In the Army we have a contingent of professional art workers who have reached high ideological and art attainments. The Army also has a vast number of amateur artists and performers who work in the grass-roots units. We have every reason to believe that after the 13th Party Congress, literature and art work in the Army will certainly make greater progress and advance to a higher stage. We should guard against arrogance and rashness, continue to exert ourselves, plunge into the tides of the times, create exquisite arts under the guidance of the Marxist principles for art. We should also create better art and give better performances which have good ideological content and artistry, and have our national features. They should embody the spirit of the People's Army to meet the increasing needs in the cultural lives of the general public and Army commanders and soldiers. We need to make greater contributions to our Army's modernization and to the building of socialist material and spiritual civilization.

Price Reform Problems, Solutions Discussed
HK271545 Beijing *GUANGMING RIBAO* in Chinese
17 Oct 87 p 3

[Article by Chen Zhao (7115 2507): "Problems in Price Reform and Thoughts on Their Solution"]

[Text] The reform of China's economic structure started with readjustment of the irrational price structure. In the very beginning we thought that so long as we relaxed rigid control over prices and carried out commodity trading according to the law of value, prices would naturally play an active role in balancing supply and demand, and in stimulating the development of production. However the reform practice over the past few years has gradually made people realize that this most basic economic logic does not completely conform to China's situation. The result of relaxing control over

prices showed that the irrational price structure had not been rationalized by the natural evolution of the economy, but on the contrary caused continued price rises.

Why hasn't the relaxation of control over prices failed to successfully balance supply and demand in China's economy which is smoothly and rapidly developing into a monetary market? The fundamental reason is that we lacked a clear understanding of the implications and functions of prices and of the price mechanism, and failed to acquire a correct understanding of price reform.

As a matter of fact, the implications of prices and of the price mechanism differ from each other. Prices can act as a signal reflecting changes in commodity value and market supply and demand. However, prices can also act not as an explicit market implication but as a mere accounting instrument (in the traditional economic structure). The price mechanism acts as an effective response by buyers and sellers towards prices, which is the amount agreed upon by both the buyer and the seller according to price signals to readjust production and demand.

Obviously the price mechanism's existence should be presupposed by a certain social and economic condition, or by a group of conditions which are restrictive to both the buyer and seller. This is because people must know clearly under what conditions the buyer and seller can effectively make a response to the prices. Among the group of conditions which are restrictive to both buyer and seller, there are two most important ones: The first is that as independent operators, buyers and the sellers should possess relatively independent economic interests. Only when buyers and sellers possess relatively independent economic interests will they be able to instinctively respond to the prices. The second condition is that both buyers and sellers should be strictly restricted by their respective budgets because this ensures that both buyers and sellers will effectively respond to price fluctuations. These two conditions are the prerequisites for the price mechanism's existence. That is to say, if one of the two conditions is lost, the price mechanism will certainly be unable to function properly.

Since overall economic structure reform started, the microeconomic interests of our country's enterprises have gained relative independence. This situation has enabled our country's microeconomic organizations to respond instinctively to price fluctuations. Under such circumstances it is obviously inappropriate to continue to regard prices as something meaningless. In the meantime, however, we should also understand that it will certainly take time for our enterprises to become really independent economic entities, especially when the operations of the large- and medium-sized state enterprises are not yet strictly restricted by their budgets. In such a special environment it is quite possible that the responses given by the microeconomic organizations towards price fluctuations is not an effective response.

Under the circumstances that enterprise operations are not yet strictly restricted by their budgets, there is no need for enterprise operators to adapt their production to market prices by readjusting their production outputs. There is also no need for commodity buyers to readjust their purchasing levels in the light of market prices. This situation can be seen in the fact that over the past few years when readjusting the prices of certain means of production, quite a number of enterprises have used countermeasures such as "when water rises, the boat also rises" and have not tried to solve the problems among themselves. As a matter of fact, when the enterprises are not strictly restricted by their budgets, it is difficult for the general price level not to go up. This is because as far as production is concerned, price readjustment often negatively conforms with the high production costs caused by high input. As far as demand is concerned, prices are often pushed up by an excessive amount of currency in the hands of the buyers. Under such circumstances prices will not be able to readjust supply and demand and nor will they be able to help balance the economic structure. As a result prices, will continue to rise. Obviously, because the price mechanism itself contains a group of special social and economic conditions, to have relaxed control over prices does not necessarily mean to have initiated the price mechanism.

Here, we should point out that in price reform, if we lay too much stress on readjusting the irrational price structure (or "smoothing out prices") but do not lay enough stress on creating basic conditions for the operation of the price mechanism, our country's price reform will certainly come across some difficulties which will be difficult to overcome. This is because whether the price structure is rational or irrational is really a relative concept. If we did not repeatedly test price structures on the market, it will be impossible for us to say which price structure is rational and which is irrational. In the meantime the formation of prices is a dynamic process which contains a variety of stochastic factors. It is possible that a price is rational at one time but irrational at another time. We can see that the stimulation given to the agricultural production by the rise in farm and sideline products prices is rapidly disappearing. The reason is that the increase in the cost of the input in agriculture has again lowered the already-readjusted prices of farm products. In the economic practice people have at least come to understand one fact: To relax control over prices or to readjust prices does not mean the initiation of the price mechanism. When the operation of the price mechanism still lacks the necessary conditions no one can guarantee that the result of "smoothing out prices" will not be a repetitive process of an old readjusted price being replaced by a newly readjusted price. Therefore, if we want to achieve long-term and balanced results in our country's price reform, what we should do is certainly not to constantly fix our eyes on the irrationality of our country's price structure, but to make greater efforts to eliminate the key problem which

hinders our country's price mechanism from playing its role—the key problem is that enterprise operations are not yet strictly restricted by their budgets.

Article Views Setting Up 'Policy Pricing'
HK280331 Beijing JINGJI RIBAO in Chinese 6 Oct 87
p 3

[Article by Li Boxi (2621 3124 3305), Fei Zhonghu (6316 0112 5706), and Lan Tianfang (5695 3944 2455): "Setting Up a Policy Pricing Structure—a Tentative Idea on Economic Structural Reform"—first three paragraphs are JINGJI RIBAO introduction]

[Text] The reform of the pricing structure is a necessary step in the economic structural reform but it cannot be completed in a short time. Making decisions when the prices are not straightened out and the signals are inaccurate can easily lead to errors. Nor will it be possible for enterprises to behave rationally, if we rely exclusively on current prices and have no other methods to affect enterprise behavior. The formulation of policy prices will probably serve as a basis for enterprises to make rational decisions. Moreover, in reforming the pricing structure, we should also have a basis from which to advance step by step. The policy pricing structure could also serve as such a basis.

In the course of reform, it is of great significance to find a method to straighten out prices which will have a small impact. How to achieve our reform objective without having a great impact is something we have been looking for.

This article will explore the issues involved in this line of thought.

Our country has scored tremendous successes in the economic structural reform and has entered a new period of development. At this critical moment, in an effort to further advance the reform, we have conducted explorations in light of the experience gained in using the national economy assessment method to assess the economic results of investment projects. In our view, we should achieve the best distribution of our resources on the basis of public ownership and take the full development of the socialist society's productive forces as the economic objective of our economic structural reform. We have put forward a tentative idea on the economic structural reform with the establishment of a "policy pricing structure" as the core. The principal points of the tentative idea are as follows:

1. It is necessary to establish a "policy pricing structure" independent of the existing pricing structure, which is exclusively used in internal accounting, and which includes all major consumer goods and capital goods. In formulating this "policy pricing structure," we have proceeded from our national conditions and consulted

the price ratios between different commodities on international markets, rejecting any irrational factors among them. It will serve both as the current "policy price" and as a basis for the price reform.

Formulated and controlled by the government, this "policy pricing structure" can be smoothly adjusted at certain intervals.

2. When conditions are ripe, we can stipulate that, in the future, the economic results of all productive investment projects of the government and enterprises should be assessed with the national economic appraisal method. Viewed from the angle of the society as a whole, this economic appraisal method refers to the net capital returns rate calculated in terms of the price of the "policy pricing structure" (called policy price for short), that is to say, the increase in national income brought by every yuan of capital and calculated in terms of the policy price. This index reflects the true contribution of investment projects to the national economy. A project that can make a great contribution should be given priority to obtain funds. A project whose net capital returns rate is lower than the basic returns rate is nonexistent in principle.

3. After setting up the "policy pricing structure" and the system of using the national economic appraisal method to assess the economic results of investment projects, the government can use the "basic returns rate," which is a parameter of the national economy, to control the investment scope, pattern, and economic results. When there is a tendency for the investment scope to exceed the planned scope, we can raise the basic returns rate. Therefore, the projects cancelled are certainly those with poor economic results.

4. Since the existing pricing structure has not been adjusted to a rational level, the regulatory tax is indispensable. The regulatory tax should chiefly be collected according to the difference between the prevailing prices of enterprise input and output and the prices of the "policy pricing structure." There may also be a negative regulatory tax. If the regulatory tax is collected according to this principle, no enterprise will gain benefits or suffer losses from irrational prices. The enterprises will thus be placed in a position to compete on an equal footing.

5. The method of deciding regulatory tax according to the "policy pricing structure" can be implemented in different ways:

- 1) In principle, the regulatory tax is imposed on all new investment projects according to this method.
- 2) If the existing regulatory tax amount collected from the existing enterprises is close (if, for example, the difference is under 10 percent) to the regulatory tax amount calculated according to the prices of the "policy pricing structure," we may collect the regulatory tax according to the new method.

3) If there is a considerable difference between the existing regulatory tax amount collected from the existing enterprises and the regulatory tax amount calculated according to the new method, it is permissible to have a transitional period of about 10 years, during which the difference should be gradually reduced by a certain annual rate in light of the state financial situation.

6. The interest rate should also be a tool for protecting the overall economic interest. Given the conditions whereby the existing prices have not been straightened out, if the investment projects, which have satisfactory economic results when assessed according to the national economic appraisal method, have a relatively poor repayment capability when calculated according to the current prices, we may improve their repayment capability through the regulatory tax calculated according to the new method and support them by offering them preferential interest rates. However, with regard to those investment projects which do not have satisfactory results when assessed according to national economic appraisal method, we should not provide them with credits but should restrict them through higher interest rates even if they have relatively strong repayment capability when calculated according to current prices. Before prices are basically straightened out, the specialized banks in the country should not excessively stress the aim of making profits. 7. Given the above-mentioned circumstances, profit retention is actually linked to the contribution of an enterprise to the national economy when calculated according to policy prices rather than to the profits and taxes calculated according to the current distorted prices. What is beneficial to the society will certainly be beneficial to enterprises although, in today's society, what is beneficial to enterprises is not necessarily beneficial to the society. Only when the investment and operational behavior and motives of enterprises coincide with the overall interest of the society do we genuinely have the conditions to relax controls over, and invigorate, the enterprises. Under these circumstances, what the enterprises do will certainly be in keeping with the overall interests, making it unnecessary to excessively exercise administrative intervention. Since the operation of economic levers has a scientific basis, there is no need to haggle over prices and the government can change from mainly direct to mainly indirect control in its management of enterprises.

8. It is necessary to gradually relax controls over the personal consumer goods market. With the exception of a few consumer goods over which we should retain controls, we should gradually abolish government financial subsidies and incorporate the subsidies into wages. Lodging is an important component of consumption. Therefore, it will take a fairly long time to improve the consumer goods market. For a fairly long time, the government still has to control and guide the prices of consumer goods to a certain extent. However, this control should chiefly help promote the rational distribution of resources, protect the rights and interests of consumers, and preserve the basic stability of the people's economic life.

9. For a fairly long period the government will maintain its decision-making power on budgetary infrastructure and major productive investment projects. This is because the construction of these projects serves as a basis for achieving the development plan. The major capital goods needed for the budgetary investment projects should be listed in the plan to ensure their supplies. When the enterprises increase their financial power and operational level, the power to decide investments in productive projects can gradually be delegated to them.

10. The existing dual system of producing and distributing a portion of capital goods according to plan and opening some others to the market has caused many inconveniences in the regular economic life. However, so long as we implement the above-mentioned measures, it will be possible to considerably reduce these inconveniences. The general trend is to gradually move toward greater openness on the basis of state management.

11. The above-mentioned measures have actually restricted the distorted, unfavorable role of the existing planned prices to a very small scope and the "policy pricing structure" has actually played a genuine role in deciding major economic activities. The practice of "letting enterprises gently digest and absorb a drastic price adjustment" is much better than that of rigidly absorbing step-by-step adjustments. If this practice is adopted, the current planned prices of capital goods will remain basically unchanged for 3-5 years. When most users of certain kinds of capital goods can withstand the "policy price," we can adjust the planned price of these capital goods to or near the "policy price." It is estimated that in about 10 years', the policy price will be very close to the planned price and the free market price. By that time we can say that the price has been basically straightened out. By that time, it will probably be useful for the government to continuously control and manage the "policy pricing structure."

12. The planned commodity economy should not be divided into two distinct parts, plan and market. They should be integrated in such an organic way that they can jointly give scope to their roles, making the best possible use of the advantages and avoiding the disadvantages. In this way we can achieve the best distribution of short-term and long-term resources. Our planning work should not be weakened but strengthened. This does not mean that we should manage production, prices, and material distribution more meticulously and specifically, but that we should improve the scientific character of planning work. In the transitional period of reforming the economic structure, the principal role of planning is as follows: First, to prevent enterprises from behaving in such a way as to infringe upon the overall economic interest owing to imperfect market and distorted prices; second, to avoid the defects which the capitalist market economy finds it hard to avoid; and third, to do a good job of long-term development planning. Planning should not be simply regarded as specific government regulation

on such microeconomic activities as investments in construction projects, enterprise production, prices, and material distribution. As stated above, formulating the "policy pricing structure," stipulating the national economic appraisal method for assessing investment projects, and working out methods for collecting regulatory tax when the prices are distorted, as well as calculating the "basic returns rate" and other parameters of the national economy, should become important elements in planning. All the tasks which the government calls on all localities and enterprises to perform are mandatory. The reform of the planning structure does not mean that mandatory planning will be abolished all at once. Some of the previous mandatory planning, which came under the category of microeconomic activities, will still be preserved for a certain time. It is necessary to greatly strengthen the formulation of a unified and standardized macro control means and an economic parameter. This will solve a lot of problems. Only by carrying out planning work in this way can we say that we have embarked on a scientific path.

In planning work we should rely on the market. We chiefly rely on the information supplied by the market to adjust construction, production, and import and export plans to meet the people's needs more satisfactorily. Moreover, we should work out our industrial policy and long-term development plan in light of market information, the technological development trend in the world, and our country's resources.

13. Government departments at all levels should properly formulate long-term development plans and industrial policies, encourage enterprises to engage in economic activities consistent with these plans and policies, and put a stop to the preventable wasteful behavior in investment and production. They should provide enterprises with such information as market supply and demand, prices, and investment activities, and create conditions for the enterprises to conduct regular activities. The enterprises also have the duty to give government departments some relevant information.

The above-mentioned tentative idea is based on the following lines of thought:

1. The ultimate purpose of China's economic structural reform is to develop the productive forces or, to be more specific, to develop the productive forces with the most effective method. That is to say, we should create the most material wealth with limited resources so as to meet the people's needs. In economics this is called the "best distribution of resources." This is a movable concept. That is to say, it is constantly adjusted according to changes in demand, resources, and technology.

2. In a socialist state, it is impossible to achieve the best distribution of resources by exclusively relying on planning methods. To ensure that, following the decentralization of policy decision, the enterprises conform to the

best distribution of the society's resources in their behavior, it is indispensable to have a rational pricing structure whose function is to rationally distribute those resources.

3. Now that we are implementing the policy of opening up to the outside world, we can work out a rational pricing structure by taking the world prices as reference and rejecting some of the irrational factors in light of our national conditions. This does not need very complicated calculations. In practice, it can play the role of genuinely guiding our industrial structure and technological setup in a rational direction. Moreover, it is constantly adjusted in line with the world's scientific and technological development and changes in resources and economic conditions.

4. After we have a rational pricing structure, we should let it play its role as soon as possible. In our major economic activities, such as investment projects, enterprise operations, and import and export trade, we should make a correct policy decision according to this set of prices and increase our economic strength quickly. If the prices are adjusted by stages, by groups, and in small steps, they cannot play a role in a correct policy decision even if they are adjusted rationally. This is because the prices, following small readjustments, are still distorted and because some other prices have not been adjusted. In the long adjustment period, it will be impossible to avoid economic fluctuations. We still have to make many incorrect policy decisions in our economic activities.

5. The existing pricing structure is so irrational that it has to be changed. It is also difficult for small adjustments to play the required role. A major adjustment is not feasible. Under these circumstances, there is a way out. We can make use of this set of prices to set up a "policy pricing structure" for internal accounting. This does not call for immediate adjustment in the existing pricing structure. In this way, it will not seriously affect the people's livelihood and enterprise operations but will still play a decisive role in deciding major economic activities.

6. Naturally, the "policy pricing structure" can play its role only when it is coordinated with other reforms. However, the necessary reforms can only be conducted with the establishment of the "policy pricing structure." Only when there is a "policy pricing structure" will there be a basis to assess the economic results of an investment project with the national economic appraisal method, to collect enterprise regulatory tax, to grant bank credits, and to decide the interest rates. It is entirely possible to control and maintain a balance between government revenue and expenditure. It is envisaged that, in the first year following the setting up of the "policy pricing structure," the original regulatory tax amount can be maintained and later, increased income from the regulatory tax can be used to cover shortfalls in the "minus regulatory tax." Moreover, we should rationally collect the resources tax and keep our expenditures within the

limits of our income. By adopting the method of "internal accounting" rather than the method of rigidly adjusting the current prices we enable most enterprises to adopt measures to digest and absorb this "policy pricing structure" in a transitional period lasting for about 10 years. If some enterprises still fail to adapt themselves to this set of prices 10 years later, it shows that they should no longer survive.

We hope that our tentative idea will win the support of the relevant quarters, especially the state departments in charge of comprehensive management and the business circles. We would also like to see other better ideas on the overall plan.

Defects in Study of Economic Theory Cited
HK230815 Beijing GUANGMING RIBAO in Chinese
3 Oct 87 p 3

[Article by Chen Renli (7115 0088 4409) and Han Wenhui (7281 2429 3189): "Defects Should Also Be Removed in the Study of Economic Theory"]

[Text] The study of economic theory in our country has made great progress in recent years, and has promoted the in-depth development of reform. However, we must also acknowledge that our economic theoretical studies still lag behind real developments and still cannot meet the requirements in the development of economic construction and reform. In some aspects, theory even goes against the development of the objective situation. In order to change this state of affairs, our economic theoretical studies must remove the following defects:

First, taking the statements of leaders as the standards for theoretical study. The study of economic theory is a completely scientific matter and there must be no trace of pretence or hypocrisy. However, at present some theoretical researchers are still used to following the general trend, and especially the attitudes of leaders, and, in many cases, their theoretical work merely serves the purpose of explaining the arbitrary conclusions and remarks of individual leaders. We do not mean that researchers need not study and understand the essence of the instructions of the upper authorities and should not organize theoretical studies in light of the opinions of leaders; rather, we emphasize the necessity of subjecting the hard work of theoretical researchers to the coordination and unified arrangement of the leaders. However, this never means that nonscientific remarks of leaders should be brought into the field of scientific research and included in the results of research. Our party always advocates the principle of "letting a hundred flowers blossom and a hundred schools of thought contend." Under the premise of not violating the four cardinal principles, people should be encouraged to express different opinions and carry out free debate so as to promote the study of major economic theoretical issues. Only thus can we distinguish the false from the true. If there were no exchanges of opinion or debates between different points of view, and if everyone sang the same

tune and merely echoed what leaders said, then would there be any science, and would there be any need to carry out scientific research?

Second, taking classic works as the main foundation for theoretical studies. In China, the ancient scholars had a tradition of "merely writing explanatory notes for the six Confucian classics" again and again from generation to generation over thousands of years. Some comrades also tend to rely completely on the classics of Marxism, and they rush to seek theoretical grounds from the classics when they meet with problems in reform. They think that this is the easiest and most reliable way to solve a problem. Though they may dish out something orthodox, their theory is too farfetched and is divorced from China's reality. Such theory cannot be used to guide China's present reform practice, and may even obstruct the smooth development of reform and opening up. It is certain that we should seriously study the classic works of Marxism-Leninism and study central decisions and resolutions, and the important speeches by leaders, but the purpose is to use the basic principles of Marxism to analyze and solve practical questions rather than to confine developing practice to the remarks of the authors of the classics under specific historical conditions and to confine reform and opening up to outmoded theories.

Third, taking the relations of production as the main subject of economic studies. Admittedly, we should study the relations of production, but such study must not be separated from the study of the development of productive forces: otherwise, a serious degree of one-sidedness may exist in the study.

Our ongoing economic structural reform is for the purpose of adjusting the relations of production and adapting them to the present development level of the productive forces in our country. If we merely consider the state of the relations of production without linking it with the development level of the productive forces, we will not be able to correctly appraise the reforms. Some comrades stick to the viewpoint that socialism should find expression in a high degree and a large scale of public ownership, and they thus regard our present reforms as "retrogression" and "capitalist practice." They reach such an erroneous conclusion precisely because they approach the issue of the relations of production by separating it from the development of productive forces.

Fourth, taking the opinions of experts as the sole yardstick for judging the theoretical level of studies. The purpose of theoretical research is to give answers to practical questions and to give guidance to practice. Consideration should be given to the opinions of experts in discussions on major theoretical issues and in the appraisal of research results, but, more importantly, we should see whether such opinions are in line with reality or not and whether practical questions can be effectively solved on the basis of Marxist principles and whether good economic and social results can be achieved. Otherwise, theoretical workers may be led to an orientation

of divorcing their work from reality, and they may be interested merely in studying "pure" theory and seeking academic achievements. This will be unfavorable to the development of theory.

The above-mentioned psychological problems are all obstacles to our economic theoretical studies. Only by removing them can our theoretical work make progress. The only weapon we can use to overcome these defects is the Marxist line of thought of "emancipating people's minds and seeking truth from facts." Practice shows that when we continue to emancipate our minds, our theory will develop and all undertakings will make progress; otherwise, our theory will stand still and our cause will suffer losses.

Yu Guangyuan Gives Views on Contract System
HK280421 Shanghai SHIJIE JINGJI DAOBAO
in Chinese 5 Oct 87 p 10

[("Excerpt" of a speech by Yu Guangyuan (0060 0342 6678) entitled: "My Views on the Contract System"—delivered at a forum on the theory and practice of the contract system, held by the Shoudu Iron and Steel Works on 31 August 1987]

[Text] Why has the contract system been generally adopted? Is it because the state need not spend money on this reform item? I recently heard that some people argued that if the contract system was not adopted, the state might obtain more revenue from profits and taxes, so the state in fact is still spending money in spreading this system. This opinion was based on the premise that the factories could increase their profits by the same amount if they did not adopt the contract system, and it did not consider that the factories would not be able to increase their profits so much if they did not adopt the contract system. Therefore, I do not think that this is a scientific approach to the issue.

The spread of the contract system is actually related to the fact that our country has not realized a high degree of socialization and the educational level of our cadres and workers is still low. People cannot clearly envisage what benefit the complicated reforms will bring to the state, their factories and workshops, and the workers, so they may not have high enthusiasm for reforms. However, the contract system provides a simple method, and everyone from top to bottom knows how to calculate in light of this method. Therefore, the contract system is suited to the characteristics of the initial stage of socialism and to the low educational and socialization levels.

The adoption of various management responsibility systems, including the contract system, is the starting point of the urban economic reforms. However, reform can achieve good results and be consolidated only with coordinated measures, and there should be a center for the coordinated measures. In my opinion, the contract system should be taken as the center for coordinating all reform measures.

There are now various forms for pursuing the management responsibility system. In addition to the contract system, there is also the leasing system. The contract system also takes different forms. The contract system in the Shoudu Iron and Steel Works is different from that in the First Machine Tool Factory. We should protect people's creativity. Only by creating more forms to suit various conditions can we properly select the right options. The system should certainly be standardized, but this must not be too rigid. We should properly approach the issue of creation and selection in the course of pursuing various forms of the contract system.

I think that the initial stage of socialism in our country traversed a "beginning phase" from 1957 to 1978, and then entered a "reform phase" in 1979. The next phase after the completion of reform will see a new socialist structure in which the socialist economy and culture are developing smoothly. Some of the things appearing in the reform phase will become permanent parts of the new economic structure, and some will just exist in the transition period and be replaced by other things. I think that the reform phase will last into the next century, but I do not know whether the contract system will become a permanent part of the new structure in the third phase. Anyhow, the contract system has just emerged, and it will still be developed and consolidated... It will last for quite a long time. At present, we should gradually and positively pursue and spread this system and continue to perfect it in light of the actual conditions.

Municipal Development Strategies Explored
HK280823 Beijing GUANGMING RIBAO in Chinese
3 Oct 87 p 3

[Article by Lang Kong (2597 4500): "Development Strategy and Administration of Cities in the Period of Reform—Roundup of views presented at the first annual convention of the China Urban Economics Society"]

[Text] The first annual convention of the China Urban Economics Society and the fourth national symposium on key city economic theory were held in Lanzhou in late August 1987. The strategy for the economic and social development in China's cities, urban economic administration, urban land use with compensation, housing commercialization, and other related topics were discussed at the meeting.

On the Strategy for the Economic and Social Development in Cities [subhead]

Comrades participating in the meeting held: The strategy for the development of China's cities should be in keeping with the development level of the productive forces in the initial stage of socialism. It should also be in congruity with the strategic change of the national economy. The strategy should center on the attainment of better economic results, and be combined with the constant deepening of the economic structural reform.

The nature and characteristics of the urban development strategy in the period of reform is a qualitative leap in a relatively long span of time. It is manifested in the restructuring of industrial set-up and layout and in major technological breakthroughs. The strategy is aimed at achieving a comprehensive improvement and development of systematic efficiency. Some comrades pointed out: The development strategy for the urban economy in the period of reform is of the most essential significance. This is because with the constant deepening of the reform and opening up to the outside world, the cities have to ponder such crucial matters as development opportunities, objectives, and patterns, degree and ways of participating and getting involved in the division of labor in the regional economy, and choice of strategic peripheral conditions. As the result of many cities participating in making choices, there inevitably will be competition in development matters between the cities. During the period of reform, without competition there would be no strategy and no stability and prosperity for the cities.

The guidelines and principles that should be followed in formulating and implementing the strategy for urban development are mainly as follows:

1. Pay close attention to the objective need of this stage of the new national economic growth for an urban development strategy. The urban development strategy should give top priority to the rationalization of urban economic patterns (in particular, industrial set-ups). Implementation of the strategy will become a process of coordinating urban economic patterns.

2. Harmonize the interrelations between reform, structural rationalization, and urban development. Realization of the reform of the economic structure and the change of economic patterns should become the two flanks of the strategic objectives of urban development.

3. Turn "the resource-oriented type" to "a market-oriented type." Cities are encouraged to design and realize their own strategic patterns in accordance with their positions in the regional system of social division of labor.

4. The strategy of cities should clearly embody the process of cities transforming from adaptive to exploratory self-organization. The fundamental difference between the two lies in the fact that the former is a passive attempt to obtain what is beneficial and to avoid what is harmful while the latter is a positive and enterprising move to face the future and to acquire information, a more advanced form of adaptability.

5. The comprehensiveness of strategy. The development strategies of individual cities should be in congruity with the nation's macroscopic city strategy and the development strategies of localities, departments, and trades.

6. Speed up the transformation of strategy into policies and decrees, into plans or programs, and into the ideas and actions of the broad numbers of cadres and people.

7. Strengthen the role of urban administration in the implementation of strategy as a guarantor so that the rules and regulations and measures concerning urban administration will help achieve the strategic objectives.

On the Land Problem in the Cities [subhead]

Comrades participating in the meetings unanimously agreed: The land problem in Chinese cities has nothing to do with the public ownership of land itself but lies in the ways the public ownership of land is realized. The manifestations of the land problem in our cities are concentrated on the fact that land is allocated and used gratis indefinitely. The failure to ensure the complete realization of the public ownership of land in the economic sphere has resulted in departmental ownership of land, loss of value of land capital, land waste, and lack of self-regulatory mechanisms in land use. All this is detrimental to competition on equal conditions between different enterprises.

All participants maintained: The key to reforming the current urban land structure lies in turning free land use into land use with compensation. Not only does this tally with Marxist theory on land rent but it is also necessary for opening up more avenues of funds for urban construction, building China's property industry, strengthening microeconomic controls over the use of land by enterprises, perfecting the mechanism of regulating the structure and scope of land use, and for putting land resources under macroeconomic control.

On the question of detailed reform measures, some comrades advocated land fees and taxes be used simultaneously. In other words, land administrative departments are responsible for collecting rents and then paying taxes to financial departments. Other comrades proposed the following measures for dividing land fees and taxes between central financial departments and city financial departments: 1) The portion of absolute rent should be handed over to central financial departments in the form of taxes; 2) the differential rent in Category I is to be collected by local authorities and shared by central and local authorities. The central authorities should get a smaller share; and 3) the differential rent in Category II should go to local authorities for their disposal. They will be entitled to use this portion of rent to compensate for investment in urban land development.

Some comrades contended: It is not enough to rely exclusively on collecting land fees to thoroughly reform China's urban land structure and improving land usage. Efforts should also be made to combine this method with the opening of urban land markets. The city land market is a place where the relations of the economy based on

the public ownership of land are realized under a planned commodity economy and the condition that land ownership and land use rights are separated.

Commentator on Relations With Peasants
HK280535 Beijing NONGMING RIBAO in Chinese
17 Oct 87 p 1

[Commentator's article: "We Should Flourish or Decline With the Peasants—Discussing the Correct Handling of the Relationship Between Departments and Peasants"]

[Text] The reports on Zhucheng's experience in reforms published by this newspaper this past June attracted a lot of attention from rural workers and from people in the theoretical field as well. This newspaper and the propaganda department of the Shandong Provincial CPC Committee recently held a seminar on the theoretical study of Zhucheng's experience in reforms. The participants at the seminar unanimously pointed out two reasons for Zhucheng's success in organizing the city party committee and government in developing commodity production in a planned way. These are: 1) These departments are good at coordinating the relationship of interests between various departments and 2) these departments have the common guiding principle of: "They will flourish when the peasants flourish, and decline when the peasants decline." Under this principle, they correctly handle the relationship of interests between the state, the department, and the peasant. This guiding principle has important bearings on deepening rural reform.

The first central task in the second step of rural reform is to gradually reform the state monopoly for the purchase and distribution of agricultural products. The second task is to set up a perfect market system for agricultural products. This will affect the interest structure which has taken shape under the old system and lead to a contradiction between all types of interests. In face of this contradiction, different guiding principles will give rise to different handling methods and produce different results.

For example, some departments put their own interests above everything else and refuse to share weal and woe with the peasants; or they get into endless disputes when their interests contradict each other. Thus during disputes, a good opportunity slips, their development rate slows down, and their efficiency drops. So the peasants suffer losses and these departments themselves gain nothing. The "No 2 document" of these departments is just like an "imperial edict." It is not flexible and sticks stubbornly to their own "principles." Well aware of the losses the peasants suffer, they are unwilling even to give up a single hair for the peasants' sake. Others have even harmed the peasants' interests. For their own benefit, they resort to all sorts of tricks. These tricks include raising the prices of their products, palming off something inferior to what it purports to be, and deceiving the

peasants. These dishonest business practices will prevent the peasants from becoming better off and will, in the end, harm their own interests.

Another example is that some departments are only willing to share weal with the peasants but not woe. When reforms are smooth sailing and can bring benefit to them, they are in high spirits and willing to give more profits to the peasants; but if reforms meet with difficulties, they will become morose, refuse to make a step further, ignore the peasants' interests, and go back to the old road.

Still another example is that some departments only pay lip service to reforms. Reforms have been under way for many years, but they do not concern themselves with reforms or are hesitant about reforms. They forget that they are among those who are developing the planned commodity economy, and they are not aware that their refusal to move may affect the overall situation. If you do not know what a pear tastes like, why not taste it?

All this has resulted in a lack of correct understanding of the guiding principle of "flourishing when the peasants flourish and declining when the peasants decline." Zhucheng has proved successful in reforms because its various departments abide by the principle of "giving before taking" in handling their relationship with the peasants, assisting the peasants in carrying out commodity production, and developing themselves. The development of agriculture and the increase in the peasants' income have in return enabled these departments to expand the scope of their business and improve their economic strength. Since 1980, the fixed assets of the city's foreign trade departments have increased from 3.2 to 30 million yuan, and the purchase volume of commodities for foreign trade has risen from 24.96 to 105 million yuan; the fixed assets of the city's supply and marketing cooperatives have increased from 6.5 to 26.95 million yuan; and 31 companies and grass-roots cooperatives have gained profits. In addition, these departments have done well in handling their relationship with the urban authorities. If the urban authorities find it impossible to carry out the plan proposed by these departments, they will cooperate with the urban authorities in making appropriate adaptations that will benefit the city and not harm their own interests; if the higher authorities in charge of these departments find it difficult to fulfill the task proposed by the urban authorities, these departments will cooperate with the urban authorities in explaining the situation to the higher authorities so that they can give appropriate consideration for the matter raised. In this way, they have strengthened the sense of mutual reliance and trust.

The guiding principle of "flourishing when the peasants flourish and declining when the peasants decline" has been injected as an economic factor into the principle of "serving the people." This completely conforms to the requirements of the basic socialist economic law. Let us carry forward this guiding principle.

China To Plant More Hybrid Rice
OW270952 Beijing XINHUA in English 0837 GMT
27 Oct 87

[Text] Hefei, October 27 (XINHUA)—In a bid to boost grain production, China plans to be growing hybrid rice on 13.3 million hectares by 1990.

According to statistics released at the Ministry of Agriculture, Animal Husbandry and Fisheries' national conference now in session in Hefei, this year's figure of 10.96 million hectares of hybrid rice fields is two million more than last year.

The meeting also revealed, the average per hectare output of hybrid rice has also gone up. In 1982, yield was 5,865 kilograms per hectare, but has now jumped to 6,600 kilograms per hectare.

China is the first country to ever cultivate hybrid rice on such a large scale, and with its over 60 million hectares of hybrid rice fields, the country has been able to grow an additional 50 billion kilograms of rice annually.

The development of new breeds, the improvement of breeding techniques and more test plots in major rice-growing provinces have made China more successful at growing hybrid rice.

East Region

Shandong Party Improves Party Education SK280430 Jinan Shandong Provincial Service in Mandarin 2300 GMT 27 Oct 87

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, provincial party organizations at all levels have continuously deepened the education among party members. This is in line with the demands of reform and opening up and in close combination with the ideological reality of party members. As a result, remarkable results have been achieved in this aspect.

In the course of deepening the education among party members, provincial party committees at all levels have, first of all, instituted the system of designating a day to conduct party-member activity. A system in which party members are responsible for the attainment of annual targets was also instituted. Many cities and prefectures have introduced a system of assuming responsibility for the attainment of goals set for party affairs, similar to their system of assuming responsibility for the attainment of economic goals. This ensures the development of the education for party members.

According to statistics, the percentage of party organizations which have given regular party lectures to party members at party branch meetings, party branch committees, and party group activity meetings and have designated a day to launch party-member activity has risen from 70 percent to 90 percent.

Next, provincial party organizations at all levels have paid attention to building the grassroots-level party schools. Thus far, the province has set up more than 2,600 grassroots-level party schools. Of these, some 2,300 party schools are at town or township level, accounting for 96 percent of the towns and townships in the province. Since the beginning of last year alone, the province has sponsored more than 17,000 training classes of various kinds. More than 1.5 million party members and responsible cadres have been trained.

With regard to the content of education, localities in the province have universally conducted education on the two basic points, ideals, party purpose, the sense of commodities, party style, and party discipline. In particular, these localities have inculcated the inner-party democratic principle of how party members should display their vanguard and exemplary role during the new period in the masses' discussion. By so doing, party members can educate themselves.

Through education, the expertise of provincial party members has greatly improved, and the fighting capacity of party organizations has been strengthened as well. Party members and cadres in some poverty-stricken areas have conscientiously guided the masses to change from poverty to prosperity. In Linyi Prefecture alone,

more than 890 villages changed from poverty to prosperity last year, accounting for 26 percent of the total number of poverty-stricken villages. According to an investigation conducted in the first half of this year, the percentage of rural and urban party members who are capable of exploiting their vanguard and exemplary role rose from 85 percent to 90 percent.

Shandong Congress Meeting Opens SK280341 Jinan Shandong Provincial Service in Mandarin 2300 GMT 27 Oct 87

[Text] The 28th Standing Committee meeting of the 6th Provincial People's Congress opened in Jinan on the afternoon of 27 October. The main topics for discussion at the meeting are the draft regulations on managing the economic and technological development zone in Shandong Province and the draft stipulations on some issues concerning enterprises developing cooperative ties among themselves in Shandong Province's economic and technological development zone. Also to be discussed are: a provincial Public Security Department report on the implementation of the PRC'S regulations on managing public security and punishing violators, a provincial Environmental Protection Bureau report on the implementation of the PRC'S Environmental Protection Law and on making a related resolution, a provincial Labor Bureau report on the province's situation in reforming the labor system, and a provincial Foreign Affairs Office report on provincial foreign affairs work. All relevant resolutions and matters on the appointment and removal of personnel, by vote, will also be taken care of.

At the plenary meeting, Vice Chairman of the provincial Commission of Foreign Economic Relations and Trade Li Kuilin explained the draft regulations on managing the province's economic and technological development zone and the draft stipulations on some issues concerning enterprises developing cooperative ties among themselves.

Li Zhen, chairman of the provincial People's Congress Standing Committee, presided over the meeting. Xiao Han, Xue Leijian, Gao Fengwu, Zhang Zhusheng, Xu Jianchun, Lin Ping, Xu Sen, and Yan Qingqing, vice chairman of the provincial People's Congress Standing Committee, attended the meeting. Vice Governor Ma Shizhong, and Han Bangju, president of the provincial Higher People's Court, attended the meeting as observers.

Central-South Region

Hunan Leaders Praise CPC Congress Opening HK280942 Changsha Hunan Provincial Service in Mandarin 0100 GMT 26 Oct 87

[Excerpts] With a feeling of joy, responsible comrades from the provincial party committee, provincial advisory commission, provincial discipline inspection commission, provincial people's congress standing committee, provincial government, provincial CPPCC

committee, provincial military district, and relevant provincial departments yesterday morning jointly watched and listened to the live broadcast of the opening ceremony of the 13th National Party Congress at the provincial party committee's conference room. Yesterday afternoon, they held a lively meeting to study and discuss the opening ceremony of the congress. [passage omitted]

The responsible comrades said they were especially heartened after seeing that Comrade Deng Xiaoping vigorously presided over the opening ceremony in a loud and clear voice and that he was in good health. [passage omitted]

They added: Comrade Zhao Ziyang's report, "Advance Along the Socialist Road With Chinese Characteristics" shows great foresight and tremendous momentum and has substantial content. It is a most heartening report as well as a Marxist programmatic document. [passage omitted]

Liu Zheng, deputy secretary of the provincial party committee, presided over yesterday's meeting.

Watching the live telecast and attending the study meeting were Wang Zhiguo, Zhao Chuqi, Wang Xiangtian, Dong Zhiwen, Shen Ruiting, (Li Jianguo), Huang Daoqi, Yu Haichao, (Zhou Zheng), and Tong Wei, responsible comrades from the provincial party, government, and military organizations; as well as (Liu Haishan), (Yi Qixin), and (Liu Shiping), responsible persons from the province's parties concerned.

Southwest Region

Dalai Lama Views Unrest in Tibet

PM271612 Paris *LE MONDE* in French 18-19 Oct 87
pp 1, 2

[Interview with the Dalai Lama by Jean-Claude Buhrer in Manali—date not given]

[Text] Manali—The recent events in Lhasa have not really affected the Dalai Lama's activities. In accordance with a long-standing promise, Tibet's spiritual and temporal leader, who has been in exile since the revolt against the Chinese in 1959, is giving a series of philosophical and religious talks in Manali, in a remote valley in the foothills of the Himalayas in northwest India. Some 3,000 of the faithful from the surrounding hills and the Tibetan refugee camps in the region gather every day on the forecourt of one of the two Buddhist monasteries in the region to hear him speak.

It was in a bungalow in the middle of a clearing where Jawaharlal Nehru used to spend vacations that the Dalai Lama granted us a long interview. In this valley in Kulu, also called the Valley of the Gods, situated around 100

km from Tibet as the crow flies, the exiled sovereign's remarks were as affable as ever. But, perhaps because of circumstances, they have never been so clearly political.

"This is not the first time that such events have occurred in Tibet," the Dalai Lama began. "But it is the first time that incidents have immediately been known and reported, owing to the presence of foreign tourists. The Chinese authorities, who were caught unawares, were unable to conceal what was happening. They were forced to admit that there had been disturbances in Lhasa. First, they seemed helpless and did not seem to know how to react, as if they were awaiting orders. Then they behaved as usual, with police brutality against unarmed demonstrators. These are things which have happened frequently over the past 20 years, but amid general indifference because there were no foreign eye-witnesses.

[Buhrer] But what is the reason for such a strong reaction now?

[Dalai Lama] It is the Chinese way. I have the impression that they sometimes suffer from a bad conscience. They have forged the idea that they came to Tibet as liberators. Because they have been repeating it for years, they have been caught up in their own propaganda. This means that as soon as unexpected incidents occur, they are disconcerted and refuse to recognize the real causes.

Despite some superficially positive official changes in recent years, the problems remain serious and there is deep resentment among the people. These demonstrations are merely a symptom of the disease which has lasted for more than 30 years since 1950 when the tragedy of the invasion took place. It is understandable, therefore, that the people's anger should erupt at some time. The reaction was brutal but it was seen by the world.

This is important because, although I admire the courage of the Tibetans who took to the streets to express their real feelings, the world must know it too. Public opinion must realize that Tibet is living under a colonial occupation and that the Tibetans are tired of being the victims of colonialism. If the situation is as the Chinese describe it, that the majority of Tibetans are so happy, why do the people continue to have confidence in me when I say the contrary? Most Chinese think that Tibet was poor, backward, dark, cruel, and barbaric. If they have done as much for Tibet as they claim, how can they explain the Tibetans' reactions to them? And why do they continue to demand their independence so ardently?

[Buhrer] Beijing says that your remarks during your recent visit to the United States influenced or even sparked off the events....

[Dalai Lama] I think that has very little to do with it. With the improvement in communications, the Tibetans learned of that visit and may have felt that they too could

make their voices heard. The situation in the country is becoming worrisome, especially with the transfer of the population and the Chinese colonization of the Tibetan highlands. Unless this Sinicization is stopped, the Tibetans will very shortly be in a minority in their country, submerged by the mass of Chinese colonists. This is a serious danger for us, for our culture, and for our heritage, and the Tibetans are aware of it. In a way it is the final solution to the Tibetan problem in the Chinese style.

[Buhrer] The final solution?

[Dalai Lama] Yes, absolutely. Unless the international community is careful, it will be the end, the destruction of the Tibetan people and their civilization.

[Buhrer] Is the five-point plan for a peaceful solution to the Tibetan question which you have just put forward, an attempt to alert opinion?

[Dalai Lama] These five points are not new. I have already had the opportunity of discussing them on several occasions, but this is in fact the first time that they have been grouped in this way with a view to forming the basis for discussion. These proposals are as follows: 1—Turning the whole of Tibet into a peace zone; 2—abandoning the Chinese policy of transferring the population, which is a threat to the Tibetan people's very existence; 3—respecting the Tibetans' fundamental rights and democratic freedoms; 4—restoring and protecting the Tibetan environment and ending the Chinese use of Tibetan territory for manufacturing nuclear arms or storing radioactive waste; 5—starting negotiations on Tibet's future status and relations between the Tibetan and Chinese peoples.

[Buhrer] Following the recent events in Lhasa, do you still think you can reach a peaceful settlement with the Chinese authorities?

[Dalai Lama] I think so. We must wait some time. These are long-term proposals. I think that the Chinese are fed up to the back teeth with the Tibetans at present. It is better to allow them to calm down. We must think about the future and look at things in the long term. These five points are important not only for Tibet but also for the neighboring countries. To create a climate of confidence, everybody must make an effort, and this would establish confidence. Nothing will be possible while the Tibetans are threatened by Chinese arms and soldiers. An improvement in Tibet would make relations between India and China easier.

[Buhrer] Is your plan negotiable?

[Dalai Lama] Everything is negotiable. The problem is that as soon as we approach the Chinese to express our views and grievances, they take it as an attack on China and immediately adopt a defensive position. This means

that the Tibetan viewpoint does not enter the Chinese mind. That is why I am saying this to the world. I want the rest of the world to echo what I say and to know the facts.

[Buhrer] Do you think that the Lhasa incidents will influence the forthcoming CPC congress?

[Dalai Lama] Probably not. The Chinese leadership has its own problems with power struggles among various factions.

[Buhrer] Would you go to Beijing to meet with Mr Deng Xiaoping if there was any possibility of discussion?

[Dalai Lama] Certainly, if it served some purpose. But I do not think it would at present.

[Buhrer] Do you still have contacts with Beijing?

[Dalai Lama] Of course. My second oldest brother is in Beijing on private business. That is a contact.

[Buhrer] What do you feel about the criticisms which the Chinese leadership has leveled at you?

[Dalai Lama] They do not affect me. It is a good thing that they have found a scapegoat. What worries me much more is the fate of the Tibetans arrested and detained after the recent incidents. They are political prisoners, not criminals, and they ought to be treated accordingly. Their best defense is public opinion's vigilance and attention. The new wave of repression which has hit the Tibetans is my main concern at present. And I am still convinced that nonviolence is essential to find a viable solution to the Tibetan question.

Qinghai PLA Helps Xizang Out of Poverty
OW260726 Beijing XINHUA Domestic Service
in Chinese 0743 GMT 22 Oct 87

[By correspondent Zhao Zhongsheng and reporter Gu Yuezhong]

[Text] Lanzhou, 22 Oct (XINHUA) — At the 300-odd localities where commanders and fighters of the Qinghai Provincial Military District are undertaking the responsibility of helping the poor, one-fifth of the families have already shaken off poverty. The Tibetan masses receiving their assistance have praised them with this remark: "Jin zhu ma mi da sha ge" (Tibetan for "the PLA is good.")

Since last year, the Qinghai Provincial Military District has sent many groups of commanders and fighters to rural and pastoral areas to publicize among the Tibetan masses the party's policy of helping the people achieve affluence. The commanders and fighters also introduced to them the experience of other localities in bettering living standards. The soldiers enthusiastically encouraged them to achieve affluence by relying on the party's

policy plus their diligence and wisdom. Cadres of the Baima County People's Armed Forces Departments made over a dozen visits to pastoral areas to do propaganda work. Some Tibetan militiamen led the masses to develop a diversified economy by exploiting two locally available medicinal herbs — Chinese caterpillar fungus and Chinese rhubarb — as well as gold deposits and other local resources. In less than 1 year, the per capita income in this county increased by nearly 100 yuan.

In view of the large number of illiterate people among the Tibetan masses, commanders and fighters of the Qinghai Provincial Military District, led by the local party and government departments concerned, have helped establish some 1,400 Homes of Young Militia and run a number of literacy classes. As a result, many Tibetan people are no longer illiterate and have become

more capable of mastering advanced production techniques. After learning and training, the Tibetan militia of Waeryi Township in Jigzhi County, Golog Zang Autonomous Prefecture, have put a scientific grazing method to use, bringing the young animals' survival rate from 66 percent to 90 percent. Accordingly, this township's per capita income has risen from less than 100 yuan to 490 yuan. At Moxiangtan Village in Haiyan County, the masses are no longer tying knots and using pebbles to keep records of numbers, nor are they relying on the colors to identify the medicines they have to take, as in the past. What is more, they have mastered the methods of using wind-driven generators, milk and butter separators, and other production tools. They have also mastered the technique of artificial insemination of domestic animals, achieving a fertilization rate of 62 percent, which is up to the advanced standard.

Legislators Examine Assembly Law
OW270851 Taipei Domestic Service in Mandarin
2300 GMT 23 Oct 87

[Excerpts] **Listeners:** On 22 October the Interior, Defense, and Judiciary Committees of the Legislative Yuan began examination of the "Draft Law of Assembly and Demonstration During the Period of Communist Rebellion." The first day's conference was held in a harmonious atmosphere. The government has been prudent in drawing up the draft law. It has sought and accepted suggestions and advice from every quarter of society to make up for any loopholes in the draft law. [passage omitted]

Assembly and demonstration are the people's legitimate rights in countries where democracy and the rule of law are in force. To safeguard the people's right to assembly and demonstration and to protect security and stability of society, advanced democracies specifically stipulate in their constitutions and relevant laws the people's basic rights, such as freedom of speech and the right to petition and appeal. Therefore, after lifting martial law in the Taiwan area, the government needs to enact a law on assembly and demonstration to promote democracy and for the people to follow in exercising their right to assembly and association granted to them under the Constitution.

Ours is already a plural society where people can fully express their opinions. Because of differences in position and understanding, it is natural that arguments may arise during the examination of the draft law in the Legislative Yuan. However, we hope that the general situation and the overall interest are duly considered in the deliberation of the draft law. With this purpose in mind, we are offering our following views:

The first is about the title of the law. The ruling party wants to retain "during the period of communist rebellion" in the title of the law. This complies with the stipulation in Item 2, Article 2 of the National Security Law, and therefore the term "during the period of communist rebellion" should not be omitted. Furthermore, lifting the state of emergency does not mean the end of the period of communist rebellion, so the provisional clauses are still valid. Therefore, the law on assembly and demonstration should comply with the stipulation of the National Security Law, [words indistinct]. The second is about the provision on restricted areas. The draft law bars certain areas from public assemblies and demonstrations, including people's representative bodies such as the National Assembly and the Legislative Yuan. To avoid recurrence of the recent besieging of the Legislative Yuan for petition and to safeguard the normal function of the National Assembly, it is proper to bar people's representative bodies from public assemblies and demonstrations.

Finally, the draft law expressly stipulates that public assembly or demonstration should not violate the Constitution nor advocate communism or territorial separatism. This stipulation is necessary to safeguard the Constitution's and the nation's goal.

In short, now that the state of emergency is lifted in Taiwan and the people's rights have been greatly extended, the need for law and legislation has become increasingly pressing. We believe that it is necessary for the government to enact the law governing public assembly and demonstration during the period of communist rebellion. This law will carry out the important function of regulating the correct and effective use of the peoples' right of assembly and forming organizations. We hope that, through the earnest effort of the Legislative Yuan, a common ground between the ruling and opposition parties can be reached to complete the legislation procedure as soon as possible.

Hong Kong

Stocks Slide Despite Support Packages

'Emergency Meeting' Held
HK270740 Hong Kong AFP in English 0739 GMT
27 Oct 87

[Text] Hong Kong, Oct 27 (AFP)—The Hang Seng Index Tuesday opened the afternoon session at 2,290, down from 2,350 points scored at the end of the morning trading.

The key indicator had opened Tuesday at 2,194, 42 points down from Monday's disastrous finish.

Brokers said the market was likely to find support at the 2,300 level but many were advising their clients to adopt a wait-and-see attitude.

Half an hour before the close the index fought its way back to 2,373 points, above Tuesday's morning close of 2,350 and Monday's finish of 2,241.69.

The Hong Kong Government said that an emergency meeting was held between Acting Governor David Ford and Beijing's political and financial delegates to Hong Kong earlier Tuesday over Hong Kong's current stock crisis.

The Beijing representatives included Xu Jiatun, head of the local branch of China's official *New China News Agency* (NCNA), and Zhang Xuoyao, general manager of the Hong Kong branch of Beijing's foreign exchange offshoot, the Bank of China, a government announcement said.

The two were accompanied by another Hong Kong-based Chinese official, Ji Shaohiang, who is in charge of NCNA's foreign affairs department here, the announcement said.

"Mr. Ford briefed Mr. Xu on the situation in the Hong Kong Stock and Futures Exchanges and expressed thanks for the support of mainland Chinese financial institutions in contributing to an additional two billion Hong Kong dollar credit-line to the turmoiled Futures Exchange, the announcement said.

The index stood at 2,397 points at the end of Tuesday's session but brokers said some transactions were still being finalised and the official closing quote could be above 2,400 points.

New Support Announced
HK270408 Hong Kong Commercial Radio in English
0330 GMT 27 Oct 87

[Excerpts] The government and leading banks have arranged another emergency \$2,000 million [Hong Kong dollars] support package to prevent a collapse

on the futures exchange. The package is the second in as many days, and was endorsed during crisis talks which went on almost all of last night and are continuing. The announcement was made by Financial Secretary Piers Jacobs after a meeting of the Executive Council:

[Begin Jacobs recording] One facility of \$1 billion will be provided equally by the Bank of China, the Standard Chartered Bank, and the Hong Kong and Shanghai Banking Corporation. The second facility of \$1 billion will be provided by the Hong Kong Government from the exchange fund. These two facilities will be used to supplement, if required, the package already arranged, and will be drawn and repaid on a last in, last out basis, that's to say, after yesterday's package. Although the existing package has covered the impact of yesterday's unprecedented fall in the Hang Seng index, and a balance remains, prudence, prudence dictates that a substantial operational margin should be put in place and to ensure the continuing function of the market in the face of volatile world conditions. [end recording]

In all, \$4,000 million have now been made available to the futures market, although brokers last night estimated that at least \$6,000 million will be needed. In another development, the Association of Banks announced another 1 percent cut in interest rates in an effort to prop up the faltering stock market. A reduction of the same size was made only last Saturday.

Acting Governor David Ford has also promised to do whatever is necessary to help Hong Kong survive the present crisis.

[Begin Ford recording] I have come from a meeting of the Executive Council, in which members have asked me to say that they express their total support for the future financial institutions in Hong Kong and the future of Hong Kong generally. They have given their whole-hearted support to the measures which we are proposing today.

Everything that needs to be done to save Hong Kong will be done by this government. We have news that there will be large-scale investments in the market today from big investors. We are confident that what we have proposed is right for Hong Kong and right for the people of Hong Kong as a whole. [end recording] [passage omitted]

Bank of China Support
HK280837 Hong Kong SOUTH CHINA MORNING
POST (BUSINESS POST) in English 28 Oct 87 p 1

[By Eva To]

[Text] The Bank of China [BOC] group yesterday committed itself to providing more than \$333 million in standby facilities to the Hong Kong Futures Exchange [HKFE] among other measures to support the local futures market.

The BOC group's credit offer formed part of the \$1 billion credit line extended by the three major banks.

In addition, the Hong Kong Government yesterday added a further \$1 billion to support the HKFE on top of the \$1 billion committed on Sunday, pushing the total rescue fund to \$4 billion.

Mr Lam Kwong-siu, deputy chief executive of the Hong Kong-Macao regional office of the BOC Group told the *South China Morning Post* yesterday that the group was committed to play its part in ensuring the smooth functioning of the local economy.

He said the group had closely monitored the local financial markets after the crash started last week and would continue to see what it could do to help.

Among the concrete measures to support the early recovery of the markets, according to Mr Lam, the BOC group was committed to continue accepting local shares as security for credit lines.

According to local bankers, the continuation of this service was in fact a support to the market because many banks were tightening loans involving shares as a security as the stock market plunged in value.

Stock Market Restructuring Study Planned
HK280803 Hong Kong SOUTH CHINA MORNING POST in English 28 Oct 87 pp 1, 2

[Excerpt] A senior judicial or banking figure is to head an inquiry aimed at a radical restructuring of Hong Kong's stock and futures exchanges, giving the Government more control over them.

Informed Government sources said last night that the Government wanted the Securities Commission to have more power over the exchanges following the turmoil on both markets.

The inquiry will be set up "once everything has settled down", said a senior official.

The exact form of the investigation has yet to be determined but it is understood that the Government wants to establish a Commission of Inquiry with independent terms of reference.

Experts from various fields of investment would be attached to the commission to advise it on restructuring the regulatory base of the two exchanges.

The commission will investigate all aspects of the stock market, including composition of the Stock Exchange Committee, laws governing transactions and the need for more Government say in its operation.

A series of meetings have been held in recent days to establish a short list of who might head the inquiry.

It is understood that the Government does not want to put the commission into operation until the markets have stabilised.

Sources said that the Government was concerned that its regulatory powers had not kept up with the development of the exchanges in the 14 years since its current structure was established.

The move to put the Securities Commission in a more powerful position to control the exchanges is seen as a threat to the current hierarchy of the Stock Exchange, headed by Mr Ronald Li.

Mr Li has been widely criticised both in Hong Kong and abroad for moving to close the stock market 10 days ago in the face of the crash of markets worldwide.

In related developments yesterday it was learned that overseas brokers who had supported the Government's \$4 billion rescue package were told at a private meeting on Monday that they were to have greater say in the control of the restructured exchanges.

It was understood that at the meeting, held in the offices of merchant bankers Hambros, who masterminded the package, the brokers were read a letter from the Financial Secretary, Mr Piers Jacobs.

According to brokers, the letter said the Government was planning to take a close look at the workings of the two exchanges, and overseas brokers would be given more of a say in their running.

The brokers currently are not represented on either the Stock Exchange Committee or the committee that runs the Futures Exchange.

At a press conference yesterday the Secretary for Monetary Affairs, Mr David Nendick, said he was not aware of any letter being given to brokers.

He said: "I cannot confirm it because I simply don't know one way or the other."

"What I can confirm is that the Financial Secretary made it clear in Legco [Legislative Council] last week that there would be a review into the whole of the circumstances which had given rise to the problems here in Hong Kong and across the world."

While the Government continued its plans for an inquiry, support for intervention came from China and Executive and Legislative Councillor, Miss Maria Tam.

Senior Chinese official Mr Lu Ping said the current crisis was due to a lack of a sound stock market system.

He said it had been known for some time that there were deficiencies in the current Hong Kong system. The whole system needed improving.

Mr Lu said that the futures market should be made "more comprehensive" and that, although it was the second largest in the world, it was still "immature".

"There should be gradual efforts to make the system more comprehensive," he added.

Mr Lu said he believed that the Hong Kong Government would find a solution to the current market problem. But he did not believe the crisis was caused by any lack of supervision by the Government.

"I think the problems are somewhat short-term and mainly caused by world market conditions and incompleteness of the stock system," he said.

"I don't think Hong Kong's status as an international financial centre will be affected in a long term."

He reiterated that China would support the Hong Kong Government in any moves which were conducive to the territory's prosperity and stability.

Another official, Mr Ke Zaishuo, the Chinese team leader of the Joint Liaison Group, said the issue should be given more attention in future but that there were complicated underlying factors behind it.

He said the problems were international ones and would have adverse effects on the economy. [passage omitted]

Law Body on Scope of Post-1997 Courts
*HK280821 Hong Kong HONGKONG STANDARD
in English 28 Oct 87 p 5*

[From S. Y. Wai in Guangzhou]

[Text] A basic Law Drafting Committee (BLDC) sub-group yesterday gave clearer specifications regarding the scope of courts in the Special Administrative Region (SAR) in interpreting the Basic Law.

The majority of the members of the sub-group on China-SAR relations agreed that SAR courts should not be limited to interpreting only those articles in the Basic Law which were within the scope of the SAR's autonomy.

They should also be allowed to interpret those articles of the constitution concerning national defence, foreign affairs and Central Chinese Government affairs, they said.

However, sub-group co-convenor, Dr Rayson Huang, said members had not widened the scope of the SAR courts in interpreting the Basic Law.

They had simply modified that particular provision to make it more specific, he said.

He said that with this new specification the final power of adjudication of SAR courts would be safeguarded, which members said was of the utmost importance.

Thus, the phrase "within the scope of the SAR's autonomy" was dropped from the second paragraph of Article 1, Chapter 9, of the sub-group's report which was forwarded to the plenary session of the BLDC in August, he said.

Other amendments included switching Paragraphs 2 and 3. The new Paragraph 3 (which was Paragraph 2 in the previous version) has a new sentence added on.

This says that SAR courts should seek an interpretation from the Standing Committee of the National People's Congress (NPC) before making the final adjudication in cases involving national defence, foreign affairs and Central Chinese Government affairs in the Basic Law.

Dr Huang said because the SAR courts will have to seek an interpretation of the Basic Law in dealing with such cases, the technical problems of getting a retrospective interpretation from the NPC's standing committee in adjudicating cases would be resolved.

Another amendment to Chapter 9 concerns Paragraph 4 of Article 1. It is made more affirmative by deleting the word "may", he said.

This paragraph now reads: "The NPC Standing Committee (may) consult the Basic Law Committee of the Hong Kong SAR before giving an interpretation of this law."

Dr Huang said the eight-paragraph note in Article 1 would probably be deleted, or at least condensed, following the above amendments.

This was because the new version contained most of the opinions and spirit of the note, he said.

On the procedures for proposing amendments to the Basic Law, the sub-group turned down a proposal from the Basic Law Consultative Committee (BLCC).

The BLCC proposal says an amendment proposal, to be effective, has to have the approval of two-thirds of the members of the legislature, the consent of a simple majority of local NPC delegates and the backing of the SAR chief executive.

The chief executive will then be responsible for submitting the proposed amendment to the State Council which will table it at the NPC.

Dr Huang said members rejected this proposal because it would be unfair to future local NPC delegates as they, being members of the nominal congress, would not have the right to directly initiate any proposals to amend the Basic Law.

According to the subgroup's report any of the three—the legislature, local NPC delegates and the chief executive—could initiate an amendment proposal which would go directly to the NPC Standing Committee if it was supported by the other two parties.

Dr Huang said members had decided not to discuss the matter of the setting up of the Basic Law Committee (an advisory body under the NPC which will advise on interpreting and amending the law) at the current two-day session which ends this afternoon.

"The BLCC will discuss this issue today and we don't want to pre-empt their talks," said Dr Huang. This view was echoed by his mainland counterpart, Mr Shao Tian-ren.

Mr Shao said sub-group members shared the view that the setting up of the Basic Law Committee should not be written into the Basic Law, but that drafters could put forward detailed recommendations regarding its establishment.

He said the sub-group would not discuss the setting up of his committee before the sixth plenary session of the BLDC in December as they had to prepare the relevant papers for the session by mid-November.

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